



## **DETERMINATION OF MERGER NOTIFICATION M/09/011 - BFBP/CNCE**

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### **Section 21 of the Competition Act 2002**

#### **Proposed merger of Banque Fédérale des Banques Populaires and Caisse Nationale des Caisses d'Épargne et de Prévoyance**

**23 July 2009**

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#### **Introduction**

1. On 30 June 2009, in accordance with section 18(1) of the Competition Act 2002 ("Act"), the Competition Authority ("Authority") received a notification of the proposed merger of Banque Fédérale des Banques Populaires ("BFBP") and Caisse Nationale des Caisses d'Épargne et de Prévoyance ("CNCE").
2. The parties both carry on business in the banking sector and are headquartered in France. They only carry on business in the State through their mutual joint venture, Natixis. The proposed transaction would lead to the consolidation of the business activities of the banking groups to which BFBP and CNCE belong into a single group ("New Group") domiciled in France.

#### **The Undertakings Involved**

##### *BFBP*

3. BFBP, headquartered in Paris, France, is a public limited company "société anonyme", or "SA". It is the central body of the Banque Populaire Group ("BPG") within the meaning of French law and a credit institution authorised to operate as a bank. As the central body of BPG, the role of BFBP is to carry out the strategy, co-ordination and organisation of the banks in the group.
4. BPG is a French group of co-operative banks (banques populaires). It consists of 18 regional banks, as well as CASDEN Banque Populaire and Crédit Coopératif. Its activities are corporate banking, retail banking, insurance and real estate and it is present in 74 countries. The group provides services to private, institutional and corporate clients. It has 9,400,000 customers and operates 3,391 branches in France.
5. In 2006, Natixis, a new corporate and investment bank, was created from the merger of the asset management and investment banking operations of BFBP's Natexis and CNCE's IXIS. Natixis is jointly controlled by the two groups.
6. In the State, BFBP is only active through Natixis, whose activities in the State include corporate and investment banking, asset management, private equity and private banking services and

receivables management. Natixis operates in the State through the following subsidiaries:

- Caceis Bank Luxembourg, Dublin branch (principally institutional custody);
- Nexgen Group (principally asset servicing); and
- Coface Ireland (principally export and domestic credit risk insurance).

#### *CNCE*

7. CNCE, headquartered in Paris, France, is a public limited company "société anonyme", or "SA". CNCE is the central institution of the Caisse d'Épargne Group ("CEG") within the meaning of French law and a credit institution authorised to operate as a bank. As the central body of CEG, CNCE is responsible for the strategic direction, co-ordination, supervision and management control of the entire group.
8. CEG consists of 18 regional co-operative saving bank institutions, the Caisses d'Épargne, which are held by 288 local saving companies<sup>1</sup>. These local saving companies are affiliated to the Caisse d'Épargne in the territory in which they are located. The group's activities are retail banking, commercial banking and insurance, mainly in France. CEG provides its services to private, institutional and corporate clients. It is active in the financial market and investment banking services sectors through Natixis and its subsidiaries, which operate in France and in 68 other countries. It also specialises in real estate activities through Nexity Group. CEG has 27 million customers and operates 4,352 branches.
9. CNCE is only active in the State through Natixis, its joint venture with BFBP. See paragraph 6 above for a description of the activities of Natixis in the State.

#### **The Rationale for the Proposed Transaction**

10. The parties submit that the proposed transaction will result in the creation of the second largest banking group in France. The Board of Directors of BFBP and the Oversight Council of CNCE believe that the two groups would be better positioned in a changing financial market if they combine the strengths of the two groups.

#### **The Proposed Transaction**

11. It is proposed that a new central body ("BPCE"), be created, which would exercise control over the whole New Group. BPCE would be formed primarily through contributions of assets of BFBP and CNCE to an existing corporation without any prior activity and where appropriate and in limited circumstances, by sale to BPCE of certain assets against payment in cash.
12. As a result of the proposed transaction, the 20 banques populaires will have a 40% shareholding (subject to the final calculation of the parties) in the new entity and 50% of the voting rights. It is proposed

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<sup>1</sup> As at 1 April 2009.

that the Caisses d'Épargne will have a 40% shareholding (subject to the final calculation of the parties) in the new entity and 50% of the voting rights.

13. The French State is supporting the establishment of the New Group by proposing an equity contribution in line with its policy of supporting major French banking groups as approved by the European Commission under EC Treaty state aid rules, within the French scheme to inject capital into credit institutions. The French State will thus hold the remaining 20% shareholding in BPCE (subject to the final calculation of the parties). However, it will not receive any voting rights as a result of its investment.

### **Analysis**

14. The parties submit that the two banking groups are active in the State solely through their existing joint venture, Natixis, whose activities in the State include corporate and investment banking, asset management, private equity and private banking services and receivables management. Neither BFBP nor CNCE is otherwise active in the State. As such, the parties submit there would be no competitive overlap and no effect on competition in the State as a result of the proposed merger.
15. The Authority considers that as both parties are only already active in the State through their mutual joint venture, Natixis, the proposed merger will have no effect on competition in the State and thus the result of the proposed merger will not be to substantially lessen competition in the State.

### **Determination**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed merger of Banque Fédérale des Banques Populaires and Caisse Nationale des Caisses d'Épargne et de Prévoyance will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the merger may be put into effect.

### **For the Competition Authority**

Dr Stanley Wong

Member of the Competition Authority