



DETERMINATION OF MERGER NOTIFICATION M/17/023 - STANDARD LIFE/ABERDEEN

Section 21 of the Competition Act 2002

Proposed acquisition by Standard Life plc of the entire issued and to-be-issued share capital of Aberdeen Asset Management plc

Dated 02 June 2017

Introduction

1. On 28 April 2017, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Standard Life plc (“Standard Life”) would acquire the entire issued and to-be-issued share capital of Aberdeen Asset Management plc (“Aberdeen”).
2. The proposed transaction will be carried out in the form of a proposed merger that involves the acquisition of the entire issued and to-be-issued share capital of Aberdeen by Standard Life. On 6 March 2017, Standard Life announced a conditional offer for a merger by acquisition of the entire issued and to-be-issued share capital of Aberdeen by Standard Life. The proposed merger will be effected by means of a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006.

The Undertakings Involved

Standard Life

3. Standard Life, a public limited company incorporated under the laws of Scotland with shares listed on the London Stock Exchange, provides the following types of long-term investment services worldwide:
 - asset management services to both institutional and retail customers (the latter predominantly through financial intermediaries);
 - [savings, investments and pensions services to retail customers predominantly through financial intermediaries]; and
 - pensions and corporate benefits services to corporate customers.
4. In the State, Standard Life Assurance Limited (“SLAL”), a wholly-owned subsidiary of Standard Life, provides savings, investments and pensions services to approximately []



retail customers, predominantly through financial intermediaries such as brokers.¹ SLAL [...] does have a closed book of corporate pension schemes² and life insurance.³

5. In addition, Standard Life Investments Limited, a wholly-owned subsidiary of Standard Life, provides asset management services to institutional customers and retail customers in the State.
6. For the financial year ending 31 December 2016, Standard Life's worldwide turnover was approximately €25,833 million, of which approximately [] was generated in the State.

Aberdeen

7. Aberdeen, a public limited company incorporated under the laws of Scotland with shares listed on the London Stock Exchange, is a global provider of asset management services principally to institutional customers and, to a lesser extent, retail customers. Aberdeen provides services to retail customers predominantly through financial intermediaries.
8. Although Aberdeen does not have a physical presence in the State, it provides asset management services to [...] institutional customers and [...] retail customers in the State from its offices in the United Kingdom.
9. For the financial year ending [30 September] 2016, Aberdeen's worldwide turnover was approximately €1,289 million, of which approximately [] was generated in the State.

Rationale for the Proposed Transaction

10. The parties state the following in the notification:

“By combining and developing their complementary strengths across a range of asset types, the combined entity will be able to deliver a broader range of products to more clients, building on the performance record of the two groups... The combined entity is also expected to deliver significant operating efficiencies.”

Third Party Submissions

11. No submission was received.

Competitive Analysis

12. The Commission identified a horizontal overlap and a vertical relationship between the activities of Standard Life and Aberdeen in the State.

¹ Approximately [] retail customers purchase services directly from SLAL.

² In correspondence with the Commission on 31 May 2017, Standard Life informed the Commission that “Standard Life does not currently offer corporate pension products in the State and is no longer accepting (and is thus not competing for) new corporate pensions schemes i.e. its book of business is not open to new schemes. However, it does still administer some corporate pensions for existing schemes as a legacy from when it did offer such products in Ireland. [...]”

³ A wholly-owned subsidiary of SLAL, Standard Life International Designated Activity Company, is regulated by the Central Bank of Ireland and sells investment products in the United Kingdom through freedom of services.



Horizontal Overlap

13. There is a horizontal overlap between the activities of Standard Life and Aberdeen in the State with respect to the provision of active asset management services to institutional customers and retail customers.⁴
14. The European Commission has defined asset management as *“the creation, establishment and marketing of retail pooled funds (mutual funds, unit trusts, investment trusts and open ended investment companies) and the provision of portfolio management services to pension funds, institutions, international organisations and private investors.”*⁵
15. The Commission understands that asset management services can be:
 - ‘actively’ managed, where an asset manager will constantly monitor and amend the composition of the scheme with the aim of optimising performance (within the predefined scope of the scheme) on behalf of their investor customer; or
 - ‘passively’ managed, where a product automatically replicates the performance of a given index (e.g. the FTSE 100, DAX, CAC 40 indices etc.) without any active management. Passive management services are generally provided [...] at lower fees.⁶
16. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case.
17. With respect to the product scope of the relevant market in this case, the Commission notes that the European Commission and the UK Competition and Markets Authority (CMA) have previously considered whether, on the one hand, the supply of asset management services to each of [retail] customers and institutional customers could constitute separate product markets and, on the other hand, whether the provision of active asset management services and the provision of passive asset management services could constitute separate product markets.⁷ As competition concerns, however, did not arise in those cases it was not necessary for either the European Commission or the CMA to reach a definitive view as to the precise scope of the relevant product market.
18. In this case, the parties informed the Commission that neither Standard Life nor Aberdeen currently provides passive asset management services to any customers in the State.

⁴ Standard Life informed the Commission that institutional customers broadly refers to *“corporates or high net worth/sophisticated investors”* while retail customers broadly refers to *“private investors/consumers.”* Standard life also informed the Commission, however, that *“there is some overlap between the two categories”* as institutional customers *“can include high net worth investors”* while retail customers *“can include small/general corporate clients.”*

⁵ See paragraph 23 of the European’s Commission’s decision in Case No COMP/M.7044 – Blackstone/Cambourne/Goldman Sachs/Rothesay which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m7044_123_2.pdf.

⁶ See, for example, paragraph 16 of the Competition and Markets Authority’s (“CMA”) decision in the United Kingdom in ME/6408/14 – *Anticipated acquisition by BMO Global Asset Management (Europe) Limited of F&C Asset Management plc* which can be accessed at

https://assets.publishing.service.gov.uk/media/5379ff47e5274a1ede0000e/BMO_Decision.pdf

⁷ Ibid, footnotes 4 and 5 above.



19. Therefore, in the light of past decisional practices of the European Commission and the CMA, the narrowest potential product markets affected by the proposed transaction are: (a) the provision of active asset management services to institutional customers, and (b) the provision of active asset management services to retail customers. Taking a conservative approach, the Commission has analysed the competitive impact of the proposed transaction in each of these two narrowest potential relevant product markets.
20. The Commission, however, does not need to come to a definitive view on the precise relevant product market in this instance since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant product market is narrow (e.g., separate potential markets for the provision of active asset management services to institutional customers and for the provision of active asset management services to retail customers) or broader (e.g., the potential market for the provision of active asset management services to all types of customers).
21. With respect to the geographic scope of the relevant product market, the parties state in the notification that *“the relevant geographic market for asset management services is global.”* In order to determine whether the proposed transaction might result in a substantial lessening of competition in the State, the Commission has analysed its competitive impact by reference to the narrowest potential geographic market, i.e., the State. However, the Commission does not need to come to a definitive view on the precise relevant geographic market in this instance since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant geographic market is national or broader than the State.

The Provision of Active Asset Management Services to Institutional Customers in the State

22. Both Standard Life and Aberdeen provided best estimates (based on their experience and knowledge of the sector) to the Commission of their respective shares in the potential market for the provision of active asset management services to institutional customers in the State.⁸ Standard Life estimates its share *“to be no more than [5-10]%. ”* Aberdeen estimates that its share is *“likely to be below [5]%. ”*⁹
23. The Commission was unable to verify the estimates of market shares provided by the parties.¹⁰ The Commission, however, notes that there is a large number of providers of active asset management services to institutional customers currently operating in the State which will act as a competitive constraint on Standard Life post-transaction. These providers include Blackrock Asset Management Ireland Limited, Deutsche Asset Management, Fidelity Investments, Goldman Sachs Asset Management CLO plc, J.P. Morgan, Legal & General Investment Management, PIMCO Funds Ireland plc, Schroders Investment Funds (QIAIF) plc, and State Street Global Advisors Ireland Limited. The Commission therefore considers that the horizontal overlap that exists between

⁸ The parties state in the notification that they *“do not have sufficient data and are thus also unable to estimate the total market size for actively managed assets on behalf of Irish domiciled clients.”*

⁹ Aberdeen informed the Commission that it *“is not aware of a data source that would provide a total market size for [the provision of active asset management services to institutional customers in the State] and can therefore only provide best estimates for its own relative position.”*

¹⁰ However, as noted in paragraph 8 above, Aberdeen has only [...] institutional customers in the State, which is consistent with its estimate of a small market share.



Standard Life and Aberdeen with respect to the provision of active asset management services to institutional customers in the State raises no competition concerns.

The Provision of Active Asset Management Services to Retail Customers in the State

24. Both Standard Life and Aberdeen also provided best estimates to the Commission of their respective shares in the potential market for the provision of active asset management services to retail customers in the State. Standard Life estimates its share “to be no more than [5-10]%.“ Aberdeen estimates that its share is “likely to be below [5]%.“
25. The Commission was unable to verify the estimates of market shares provided by the parties. The Commission, however, notes that there is a large number of providers of active asset management services to retail customers currently operating in the State which will act as a competitive constraint on Standard Life post-transaction. These include the asset management service providers listed in paragraph 23 above, each of whom also provide active asset management services to retail customers in the State. The Commission therefore considers that the horizontal overlap that exists between Standard Life and Aberdeen with respect to the provision of active asset management services to retail customers in the State raises no competition concerns.

Vertical Relationship

26. Standard Life provided the following description to the Commission of the vertical relationship that exists between the parties in the State: “*Standard Life’s offering of individual pensions, savings and investment products to Irish retail customers and its administration of closed books of corporate/group pensions and life insurance necessitates the provision of underlying asset management services and/or the distribution of investment funds. Standard Life is therefore on the level above Aberdeen’s asset management activities on the relevant supply chain and thus “vertically overlaps” with it.*“
27. Standard Life informed the Commission that while Aberdeen does not currently manage any of Standard Life’s closed books of corporate pension schemes and life insurance in the State, asset management funds provided by Aberdeen constitute [...] % of the total value of asset management funds offered as part of Standard Life’s individual pensions, savings and investment products in the State.
28. For the following reasons, the Commission considers that the proposed transaction does not give rise to competition concerns as a result of the vertical relationship between the parties:
 - neither party has a significant presence in the provision of either active asset management services to either institutional customers or retail customers in the State;



- there is a large number of competing providers of active asset management services to institutional customers and retail customers currently active in the State; and
- asset management funds provided by Aberdeen constitute [...] % of the total value of asset management funds offered as part of Standard Life's individual pensions, savings and investment products in the State.

29. In the light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

30. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed transaction whereby Standard Life plc would acquire the entire issued and to-be-issued share capital of Aberdeen Asset Management plc will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Fergal O’Leary
Member
Competition and Consumer Protection Commission