



DETERMINATION OF MERGER NOTIFICATION M/10/034 -

Fexco/Goodbody

Section 21 of the Competition Act 2002

Proposed acquisition by Fexco Holdings Limited of Goodbody Holdings Limited

Dated 20 October 2010

Introduction

1. On 24 September 2010, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority (the "Authority") received a notification of a proposed transaction whereby Fexco Holdings Limited ("Fexco") would, through its wholly owned subsidiary Ganmac Holdings (BVI) Limited ("Ganmac"),¹ acquire sole control of Goodbody Holdings Limited ("Goodbody") and all its subsidiaries.

The Undertakings Involved

The Acquirer

2. Fexco, established in 1981 and headquartered in Killorglin, Co. Kerry, is a privately owned holding company of the Fexco group of companies. Fexco was originally a provider of bureau de change services to the Irish market. Fexco and its affiliates currently provide a range of services, globally² and within the State, ranging from car hire services, investment intermediary services to stockbroking services.
3. Fexco, through its wholly-owned subsidiary Fexco Stockbroking Limited ("Fexco Stockbroking"),³ provides a limited range of stockbroking services (e.g., private client stockbroking execution and advisory services). Fexco Stockbroking does not currently provide online execution services,⁴ wealth management or portfolio management services.
4. For the financial year ended 31 December 2009, Fexco generated a worldwide turnover of approximately €[...] million of which €[...] million was generated within the State. Approximately €[...] million of Fexco's turnover generated in the State is derived from the provision of stockbroking services by Fexco Stockbroking.

¹ Ganmac is a company registered in the British Virgin Islands and has been especially incorporated for the purposes of the Proposed Transaction and its sole activities relate to the acquisition of Goodbody.

² Originally operating only in Ireland Fexco now has offices in the Australia, Dubai, Germany, Hong Kong, New Zealand, Shanghai, U.K., and U.S.A.

³ Fexco Stockbroking is regulated by the Financial Regulator and is a member firm of the Irish Stock Exchange ("ISE") and the London Stock Exchange ("LSE").

⁴ Online execution in this context refers to the placing of bid and offer prices by stockbrokers on behalf of clients through online broking terminals.

The Target

5. Goodbody, a private limited company incorporated in Ireland, is a wholly-owned subsidiary of AIB Capital Markets plc, a division of AIB Group plc.
6. Goodbody Stockbrokers, a wholly owned subsidiary of Goodbody, was established in 1877 and is headquartered in Dublin. Within the State, Goodbody Stockbrokers provides a wide range of stockbroking services to institutional and private clients, ranging from discretionary services⁵ and advisory services⁶ to execution-only services.⁷ Goodbody Stockbrokers also offers online share dealing services.⁸
7. Goodbody subsidiaries, provide stockbroking services and advice through four different divisions, namely:
 - i. Equity Sales & Sales Trading: This division covers a diverse client base spread geographically across Europe, UK, North America and Ireland. It is mainly responsible for placing orders on commission basis and making markets⁹ in all quoted Irish stocks on both the ISE and LSE;
 - ii. Private Clients Wealth Management: This division provides a full range of services to the high net worth market;
 - iii. Corporate Finance Advisory Services: This division offers a range of advisory services focused on M&A, disposals, restructurings, IPOs, fundraising and strategic advice to public, private and semi-state clients; and,
 - iv. Economic Consultancy Services: This division provides economic consultancy services to clients in the public and private sectors and also to voluntary organisations.
8. Goodbody Stockbrokers provides retail stockbroking services to the Allied Irish Banks ("AIB") branch network and through AIB 24 On-Line share dealing. This represents approximately [...] per cent of Goodbody's Irish turnover.
9. Goodbody and its subsidiaries are primarily active in the State. For the year ended 31 December 2009, Goodbody and its subsidiaries had worldwide turnover of approximately €[...] million, of which approximately €[...] million was generated in the State.

Third Party Submissions

10. No submissions were received.

⁵ Goodbody Stockbrokers has authority to purchase shares on behalf of a client.

⁶ Goodbody Stockbrokers provides investment advice but the client makes the purchase decision.

⁷ Goodbody Stockbrokers provides no advice but merely executes the client's instructions.

⁸ Goodbody Stockbrokers is regulated by the Financial Regulator and is also a member firm of the ISE and the LSE.

⁹ In this context making markets refers to an entity, authorised and approved by the relevant regulated exchange, quoting a so-called "two-way" price, i.e., a bid price and an offer price. Market makers are also referred to as "liquidity providers".

Analysis

11. There is horizontal overlap in the activities of Fexco and Goodbody since both provide stockbroking services in the State.
12. The parties estimate that Goodbody Stockbrokers accounts for [...]% of the stockbroking business in the State. The parties estimate Fexco's share to be less than [...]%. The parties submit that Davy is the leading stockbroking firm in the State with a market share of [...]%. Other providers in the State of stockbroking services include NCB Stockbrokers Limited [...]%, and also Bloxham, Merrion Stockbrokers Limited, Dolmen Stockbrokers and Campbell O'Connor and Company. International firms such as Merrill Lynch/Bank of America, CitiBank, UBS, Credit Suisse also provide stockbroking services in the State.
13. There is no vertical overlap between the parties. Fexco does not distribute any goods and services on behalf of Goodbody nor does Goodbody distribute any goods and services on behalf of Fexco.
14. In light of the above, the Authority considers that the proposed merger will not raise any competition concerns in the State. The proposed transaction is only likely to lead to a minimal increase in the post-merger market share of the merged entity. Also post-merger alternative providers of stockbroking services will continue to be available.

Ancillary Restraints

15. The proposed transaction imposes on the vendor non-compete and non-solicitation obligations for a period of [...] years and [...] years, respectively, from the completion date of the proposed transaction.
16. [...]
17. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

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 acquisition whereby Fexco Holdings Limited would acquire sole control of Goodbody Holdings Limited will not be to substantially lessen competition in markets for goods or services in the State.

For the Competition Authority

Dr Stanley Wong
Member of the Competition Authority