



DETERMINATION OF MERGER NOTIFICATION M/07/052 – STANDARD CHARTERED/PEMBROKE

Section 21 of the Competition Act 2002

Proposed acquisition by Standard Chartered PLC of Pembroke Group Limited

Dated 02/10/2007

Introduction

1. On 12 September 2007 the Competition Authority (the “Authority”), in accordance with Section 18(1)(a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed acquisition by Standard Chartered PLC (“Standard Chartered”) through its wholly owned subsidiary Standard Chartered (CT) PLC (“SCCT”), of the entire issued share capital of Pembroke Group Limited (“Pembroke”).

The Undertakings Involved

The Acquirer

2. Standard Chartered, the acquirer, is a public limited company listed on the London and Hong Kong Stock Exchanges. Standard Chartered is active in the provision of consumer and wholesale banking products and services. Standard Chartered’s consumer banking products cover private banking, wealth management, personal loans and SME credit. Standard Chartered’s wholesale banking products range from cash management, trade and supply chain finance and credit to corporate finance and advisory and foreign exchange trading.
3. Standard Chartered does not have a physical presence in the State. Standard Chartered derives over 90 per cent of profits from Asia, Africa and the Middle East. However, in the normal course of its business elsewhere in the world, Standard Chartered caters to Irish domiciled customers such as financial institutions, multi-national companies and their subsidiaries, and also non-resident individuals.
4. Standard Chartered is not active in the provision of aircraft leasing, finance and management services.
5. Standard Chartered’s worldwide turnover for the year ended 31 December 2006 was €6,865.2 million with over 90% of profits coming from Asia, Africa and the Middle East. Standard Chartered generated approximately €[...] in turnover from clients located in the State in the year ended 31 December 2006.

The Target

6. Pembroke, the target, is active in the provision of aircraft leasing, finance and management services. Pembroke’s principal activities involve:

- the leasing of aircraft (owned by Pembroke) to airlines; and,
 - the management of aircraft owned by third party financial institutions and airlines.
7. Pembroke's worldwide turnover for the year ended 31 December 2006 was €64.95 million. While Pembroke's clients are almost entirely located outside of the State, it generated €[...] in turnover from clients located in the Republic of Ireland in the year ended 31 December 2006.

The Proposed Transaction

8. SCCT will acquire 100 per cent of the share capital of Pembroke. Accordingly, upon completion of the proposed acquisition, Standard Chartered will acquire sole control of Pembroke.
9. Standard Chartered has identified transportation and infrastructure finance as a specific focus of its operations. The proposed acquisition of Pembroke will allow Standard Chartered to capitalize on a valuable opportunity in this area and will enable it to meet its objectives by facilitating it to:
- Build a strong product capability in leasing;
 - Serve the needs of airline clients with products such as lease management, placement and aviation advisory services; and,
 - Build up a portfolio of aircraft assets.

Analysis

10. Standard Chartered is not active in the provision of aircraft leasing, finance or management services. Accordingly, there are no horizontal or vertical overlaps between the activities of the parties in the island of Ireland.¹
11. The Authority considers that given the absence of any overlap between the activities of parties in the State (or elsewhere in the world), the proposed acquisition does not raise competition concerns in the State.

¹ The parties also provided the following information. In its decision of 20 October 1993 relating to a notification under Section 4 of the Competition Act 1991, the Competition Authority concluded that the relevant market for the assessment of the acquisition by General Electric Capital Corporation of control over Guinness Peat Aviation was the market for the provision of commercial jet aircraft to air carriers. The Competition Authority further concluded that this market was global. The Competition Authority noted in its decision that there were three main options open to air carriers in order to acquire additional aircraft: (a) purchase new aircraft from airframe manufacturers or from intermediaries; (b) purchase used aircraft from airframe manufacturers or from intermediaries; and, (c) lease aircraft from an airframe manufacturer or from intermediaries. The parties argue that aircraft leasing is merely one sector within a broader market for the provision of commercial jet aircraft to air carriers. However, in this instance, the parties submit it is not necessary for the Competition Authority to reach a view on this point as there is no overlap between the activities of the parties and, accordingly, no effect on competition in the market for goods or services in the State as a result of the proposed acquisition.

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 by Standard Chartered PLC, through its wholly owned subsidiary Standard Chartered (CT) PLC, of the entire issued share capital of Pembroke Group Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr Paul K. Gorecki
Member of the Competition Authority