



Determination of the Competition Authority

Determination No. M/04/034 of the Competition Authority, dated 28 June 2004, under Section 21 of the Competition Act, 2002

Notification No. M/04/034 - the proposed acquisition by NOVA EuroConex Holdings B.V. of Bank of Ireland's shareholding in EuroConex Technologies Limited

Introduction

1. On 28 May 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby NOVA EuroConex Holdings B.V. ("NEH"), a wholly-owned subsidiary of U.S. Bancorp, ("USB") would purchase the 50% shareholding held by Bank of Ireland ("BOI") in EuroConex Technologies Limited ("EuroConex") - "the proposed acquisition".
2. EuroConex is a joint venture, owned by USB (through NEH) and BOI in equal shares. Under the proposed acquisition, USB will gain sole ownership and control of EuroConex.

The Parties

3. USB, the acquirer, is based in the United States and is one of the largest companies operating in the North American financial services industry. USB's global turnover in 2003 was €11.9 billion. Apart from its 50% share in EuroConex, USB does not make any sales on the island of Ireland.
4. EuroConex, the target, was established as a joint venture between NOVA Corporation and BOI in June 2000. In July 2001 USB acquired NOVA Corporation, and thereby acquired a 50% shareholding in EuroConex. EuroConex is a card payment processor. It offers a range of (credit and debit) card payment services to retailers, financial institutions, payment processors and businesses, in Ireland and continental Europe. Those services include support solutions for integrated "point-of-sale" systems, currency conversion services, and solutions for secure Internet purchases. Its turnover in 2003 was €[CONFIDENTIAL], of which approximately [CONFIDENTIAL]% was achieved in the State. A subsidiary company, Flexicom, develops and supplies electronic payment processing software for retailers.

Credit Card Payment Processing

5. When a credit card holder makes a purchase, the merchant submits the transaction details to a card payment processor, such as EuroConex, whose function is to identify the bank that issued the credit card (the "issuing bank"). Next the "acquiring bank", licensed



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by the relevant credit card scheme, transmits the transaction details to the credit card scheme, which in turn transmits the details to the issuing bank. The issuing bank then debits the card holder's account and credits the credit card scheme. The credit card scheme then credits the acquiring bank, which in turn settles the original merchant's account.

6. BOI is an acquiring bank and a member of the major credit card schemes, i.e. Visa and MasterCard. EuroConex performs certain credit card payment processing functions for BOI, but EuroConex is not a bank or financial institution, and cannot carry out every core function described above. BOI handles and transfers the actual transaction funds, and is the party ultimately responsible for final settlement of all accounts with merchants and for any breach of credit card scheme rules by EuroConex.

Ancillary Agreements to the Proposed Acquisition

7. The proposed acquisition also entails BOI and EuroConex entering into an *Amended and Restated Outsourcing Agreement*, and a *Referral Agency Agreement* ("the agreements").
8. [CONFIDENTIAL]
9. [CONFIDENTIAL]
10. [CONFIDENTIAL]
11. [CONFIDENTIAL]
12. The parties state that the [CONFIDENTIAL] covenants contained in the agreements are reasonable and cannot be regarded as restrictions which are directly related to and necessary for the implementation of the proposed acquisition. The Authority, on this basis, does not consider that said [CONFIDENTIAL] covenants form part of the notification, for the purpose of Sections 4(8) and 5(3) of the Act.

Analysis

13. The parties provide share estimates for the main competitors in the card payment processing sector in the State - EuroConex, Allied Irish Banks, Royal Bank of Scotland, National Australia Group (National Irish Bank) and Barclays Bank. The parties submit that the relevant geographic market for card payment processing services is international and that there are no significant barriers to prevent companies from providing such services in the State.
14. However, regardless of current concentration in the card processing sector, or its structure, the proposed acquisition will not reduce the number of competitors currently operating in any market in the State. It would appear that a significant portion of the Irish card payment processing sector would be foreclosed to competitors, post-acquisition, due to exclusive agreements between BOI and EuroConex. However,



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EuroConex currently performs certain services for BOI as a 50%-owned subsidiary; post-acquisition, it would perform those services as an independent company, under contract. In either circumstance, the net effect is that potential competitors of EuroConex are foreclosed from offering their services to BOI, but the proposed acquisition would not alter the level of foreclosure in the sector beyond that which currently exists.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the proposed acquisition by NOVA EuroConex Holdings B.V. of Bank of Ireland's 50% shareholding in EuroConex Technologies Limited will not result in a substantial lessening of competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority