



DETERMINATION OF MERGER NOTIFICATION M/06/050 – EMC/ RSA

Section 21 of the Competition Act 2002

Proposed acquisition by EMC Corporation of RSA Security Inc.

Dated 29/08/06

Introduction

1. On 2 August 2006, 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 proposal whereby EMC Corporation (“EMC”) would acquire sole control of RSA Security Inc. (“RSA”).

The Undertakings Involved

2. EMC, the acquirer, is a global company engaged in the provision of products, services and solutions for information management and storage.
3. EMC is incorporated under the laws of Massachusetts, U.S.A. and is headquartered at Hopkinton, Massachusetts, U.S.A. In 2005, the consolidated group turnover of EMC was approximately €7.8 billion worldwide and [greater than €40 million] in the State.
4. RSA, the target, provides “authentication”, “encryption” and “anti-fraud” products and services to protect online identities and digital assets.
5. RSA is established under the laws of Delaware, USA and is headquartered at Bedford, Massachusetts, U.S.A. In 2005, RSA achieved worldwide revenues of approximately €258 million and [less than €1 million] in the State.

The Transaction

6. RSA will become a wholly owned subsidiary of EMC and will operate as EMC’s Information Security Division.

Failure to notify on time in breach of Section 18 (1) of the Act

7. The undertakings involved failed to notify the transaction within the time period set out in section 18 (1) of the Act, thus contravening that section.
8. On 29 June 2006, the acquirer, entered into definitive and binding agreements to purchase the entire issued share capital of RSA. Neither the target nor the acquirer notified the Authority in writing of the proposed transaction within the time-period set out in Section 18 (1) of the Act.

9. The Authority, having fully considered the matter, found insufficient evidence to seek a criminal penalty, as it was not apparent that either any officer of the target and/or the acquirer knowingly and willfully authorised or permitted the contravention, as required by section 18 (11) of the Act.

Analysis

10. The activities of the undertakings involved do not overlap horizontally, either world-wide or in the State.
11. The acquirer is active in the development, production and marketing of information storage management systems and related software, hardware and services.
12. The target, is active in the provision of information technology security products and/services. The undertakings involved offer complementary products; EMC offers a full suite of information products, services and solutions to clients, while RSA offer products to protect clients' information.
13. There is minor vertical overlap in the activities of the undertakings involved in the field of enterprise content management systems. "Documentum", a company owned by the acquirer, includes an RSA encryption product "BSAFE" with some of its software to facilitate encryption. The acquirer pays licensing and maintenance fees to the target in respect of its "BSAFE" encryption product of approximately €[] annually.
14. Despite this licensing and maintenance agreement between the acquirer and the target, the overlap does not give rise to competition concerns. Neither the acquirer nor any of its subsidiaries produce encryption software. Similarly, the target is not active in the provision of content management systems.
15. In addition, the target's entire encryption business accounts for [less than 10%] of its worldwide revenue and the fees received by RSA from EMC in respect its "BSAFE" product accounts for [less than 1%] of RSA's overall encryption revenues.¹
16. RSA estimates its worldwide share in encryption products and services to be [10-15%] and estimates that its competitors, which include but are not limited to Decru, Neoscale, Ingrian, Vormetric and Protegrity, each have shares in this segment of [between 4-15%] indicating a fragmented market with many alternatives for users of encryption products.
17. The proposed transaction does not, therefore, give rise to competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by EMC Corporation of RSA Security Inc. will not be to

¹ Competition Authority estimate based on data supplied by the parties.

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

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Member of the Competition Authority