



DETERMINATION OF MERGER NOTIFICATION M/15/034 MITSUBISHI UFJ FUND SERVICES/UBS FUND SERVICES

Section 21 of the Competition Act 2002

Proposed acquisition of the UBS Global Asset Management's Alternative Fund Services business by Mitsubishi UFJ Fund Services Holdings Limited

Dated 18 August 2015

Introduction

1. On 10 July 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ ("the Act"), the Competition and Consumer Protection Commission ("the Commission") received a notification of the proposed acquisition of the Alternative Fund Services business of UBS Global Asset Management (the "Target") by Mitsubishi UFJ Fund Services Holdings Limited, a wholly owned subsidiary of Mitsubishi UFJ Trust and Banking Corporation ("MUTB").

The Transaction

2. The proposed transaction is by way of a Stock and Asset Purchase Agreement between UBS AG (the parent company of the Target) and Mitsubishi UFJ Fund Services Holdings Limited.

The Purchaser

3. MUTB, a trust bank headquartered in Japan, is a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. ("MUFG"). MUFG is a Japanese financial group listed on the Tokyo, Osaka, Nagoya, and New York stock exchanges. MUFG consists of five primary companies: (1) The Bank of Tokyo-Mitsubishi UFJ, Ltd.; (2) Mitsubishi UFJ NICOS Co., Ltd.; (3) Mitsubishi UFJ Securities Holdings Co., Ltd.; (4) Mitsubishi UFJ Lease & Finance Company Limited; and (5) MUTB.
4. The services provided by MUFG include commercial banking, trust banking, securities, credit cards, consumer finance, asset management and leasing, in addition to a range of other financial services.
5. In the State, MUTB provides a full range of fund administration services offering front, middle and back office solutions to hedge funds, funds of funds, managed accounts, family offices, private equity funds and real estate funds.

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.



6. For the financial year ending 31 March 2014, MUFG had worldwide turnover of approximately €30.9 billion and turnover in the State of approximately €[...].

The Target

7. The Target is currently part of the fund services unit of UBS Global Asset Management and comprises the following:
 - UBS Fund Services (Cayman) Ltd;
 - UBS Fund Services (Ireland) Ltd which provides hedge fund administration services to clients in Europe, Asia and the Middle East. Its principal business is the provision of fund administration, accounting, registration, transfer agency and related shareholder services to collective investment schemes and investment funds;
 - UBS AFS Canada and Singapore operations, which are part of UBS Global Asset Management units in Canada and Singapore;
 - UBS AFS Jersey, which is part of UBS AG Jersey Branch in Jersey; and
 - Assets, technology and employees located in Hong Kong, London, Chicago, Connecticut and New York.
8. For the financial year ending 31 December 2014, the Target had worldwide turnover of €[...] and turnover in the State of €[...].

Rationale for the Proposed Acquisition

9. The notification states:

“... it was concluded that the Target’s future growth and client franchise would be better assured by being part of an organization where asset administration is a strategic focus of the business. MUFG Investor Services is part of MUFG, the fifth largest bank in the world, and has a long-term strategy to build a premier alternative asset administrator.”

Third Party Submissions

10. No submission was received.

Competitive Analysis

11. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets. However, since there is a horizontal overlap between the parties in the provision of fund administration services, the Commission has reviewed the competitive impact of the proposed transaction on the markets for the provision by fund administration firms based in the State of: (a) fund administration



services to Irish-domiciled funds; and (b) fund administration services to non-domiciled funds.

12. Within the State there are over 40 companies providing fund administration services to 5,897 Irish-domiciled funds comprising €1,896 billion of assets under administration.² Post transaction the merging parties' market share of the provision by firms located in the State of fund administration services to Irish-domiciled funds would be [...] %³ compared to 26.2% for State Street Fund Services, 16.2% for BNY Mellon, 16.3% for Northern Trust and 15% for JP Morgan.
13. Likewise of the total 7,140 non-domiciled funds (representing €1,908 billion of assets under administration) which are serviced by fund administration firms located in the State, the merging parties' market share is minimal (i.e., approximately [...] % for the purchaser and [...] % for the Target).⁴ For non-domiciled funds the merged entity will face competition not only from the large competitors listed above but also from fund administrators located in Bermuda, Canada, the Cayman Islands and Luxembourg.
14. In addition to the relatively small market shares outlined above for both Irish-domiciled and non-domiciled funds the proposed transaction is unlikely to raise any competition concerns for the following reasons:
 - There is no vertical overlap between the parties.
 - There is minimal horizontal overlap in the activities of the parties in the State regarding both Irish-domiciled funds and funds domiciled elsewhere.
 - Globally and within the State, post-acquisition, the merged entity will continue to face strong competition from alternative suppliers of fund administration services including, for example, State Street Fund Services, BNY Mellon, JP Morgan, Brown Brothers Harriman, RBC Dexia Investor Services, HSBC Securities Services, and SEI.
 - Purchasers of fund administration services are large sophisticated buyers who regularly switch service providers when required standards of price, quality and service are not met. Switching is not generally costly or difficult and fund administration service contracts are typically concluded following a tender process.
15. The Commission therefore considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

² Merger notification pp. 17-18.

³ At 31 December 2014 Mitsubishi had [...] Irish domiciled funds under administration comprising approximately €[...] assets of funds representing a market share by assets of approximately [...] % for Irish domiciled funds. The corresponding data for UBS was [...] Irish domiciled funds at a value of approximately €[...] with a market share of approximately [...] %.

⁴ At 31 December 2014 Mitsubishi had [...] non-Irish domiciled funds under administration comprising approximately €[...] assets of funds representing a market share by assets of approximately [...] % for non-Irish domiciled funds. The corresponding data for UBS was [...] non-Irish domiciled funds at a value of approximately €[...] with a market share of approximately [...] %.



Ancillary Restraints

16. The Share Purchase Agreement between the parties to the proposed transaction contains a number of restrictive obligations. These include non-compete and non-solicitation clauses all of which (with one exception) do not exceed the maximum duration normally acceptable to the Commission.⁵
17. The exception referred to concerns a strictly limited non-solicitation clause [...]. The Commission has examined the reasons put forward by the parties explaining the requirement for a duration period in excess of what the Commission usually accepts. The reasons posited, which the Commission has accepted, include: [...].
18. The Commission considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

⁵ The duration of these ancillary restraints does not exceed the maximum duration acceptable to the Commission. In this respect the Commission follows the approach adopted by the EU Commission in paragraph 20 of its "Notice on restrictions directly related and necessary to concentrations" (2005).
See [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=E](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=E).



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Mitsubishi UFJ Fund Services Holdings Limited, a wholly owned subsidiary of Mitsubishi UFJ Trust and Banking Corporation, would acquire the Alternative Fund Services business of UBS Global Asset Management 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.

Isolde Goggin
Chairperson
Competition and Consumer Protection Commission