



Case M1555G

Proposed acquisition of RBC Cees Ltd, from RBC Holdings
(Channel Islands) Ltd, by JTC (Jersey) Ltd

Decision

Guernsey Competition & Regulatory Authority

23 March 2021

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Summary

1. JTC (Jersey) Ltd proposes to acquire all the issued shares of RBC Cees Ltd, a Jersey company, with eight subsidiaries operating in Guernsey and Jersey, from RBC Holdings (Channel Islands) Ltd.
2. The transaction has been notified to the Guernsey Competition and Regulatory Authority (**GCRA**) pursuant to Section 16(1) of the Competition (Guernsey) Ordinance 2012 (the **2012 Ordinance**).
3. The GCRA has determined that the proposed acquisition will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

The Notified Transaction

4. On 8 March 2021, the Guernsey Competition and Regulatory Authority (**GCRA**) received a joint application from JTC (Jersey) Ltd (the **Purchaser**) and RBC Holdings (Channel Islands) Ltd (the **Seller**) (together the **Notifying Parties**) for the proposed acquisition by the Purchaser of the entire share capital of RBC Cees Ltd (the **Target**) (the **Notified Transaction**).
5. The GCRA registered the application on its website with a deadline for comments of 5pm on Monday, 22 March 2021. No submissions were received.

The Parties

6. The Purchaser is a Jersey registered private company, with registration number 37293, licensed and regulated by the Jersey Financial Services Commission to carry on trust company business (F, G, H, I, J, K, L, M, N, QA), fund services business (U, V, W, ZA, ZB, ZG, ZK) and general insurance mediation business (Q). It is the wholly owned subsidiary of JTC Group Ltd, a Jersey registered private company, with registered number 79858, which has various subsidiaries conducting financial services in Jersey and Guernsey. The ultimate holding company of the JTC group is JTC plc, a Jersey registered public company, with registered number 125550, listed on the London Stock Exchange. In the financial year 2020, the JTC group had worldwide turnover of £99.3. million, of which [X] arises in Guernsey and [X] in Jersey.
7. The core business of the Purchaser is that of a third party fund, corporate and private client administration services provider.
8. The Seller is RBC Holdings (Channel Islands) Ltd, a private company, with registration number 107708, registered in Jersey and its ultimate holding company is the Royal Bank of Canada, which is a Schedule I Bank under the Bank Act (Canada), incorporated and domiciled in Canada and listed on the Toronto Stock Exchange and New York Stock Exchange.

9. The Target is a Jersey registered private company, with registration number 65008, licensed and regulated by the Jersey Financial Services Commission to carry on trust company business (classes G, I, J, K, L and M). It is the wholly owned subsidiary of the seller, RBC Holdings (Channel Islands) and the ultimate holding company of both seller and target is the Royal Bank of Canada. The target and its eight subsidiaries (four incorporated in Jersey and four in Guernsey)¹ have a worldwide income of [X], with [X] arising in Guernsey and [X] arising in Jersey.
10. The Target's eight subsidiaries are licensed as follows:
 - a. Six² are licensed with the Guernsey Financial Services Commission to conduct the formation, management or administration of trusts and companies under The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey), with one being further licensed under that Law to carry on pension scheme business and gratuity scheme business;
 - b. Four are licensed with the Jersey Financial Services Commission to conduct various classes of trust and company administration business.
11. The Target and its subsidiaries have as their core business employee benefit and retirement plan administration and trusteeship.

Guernsey: Requirement for GCRA Approval

12. Pursuant to s.61(1)(b)(i) of the 2012 Ordinance, a merger or acquisition occurs for the purposes of this Ordinance when: *"an undertaking [...] directly or indirectly acquires or establishes control of another undertaking"*.
13. Accordingly, the acquisition by the Purchaser undertaking of the entire issued share capital of another undertaking, the Target, amounts to an acquisition of control over the Target and its subsidiaries for the purposes of the 2012 Ordinance.
14. The notified transaction is therefore a merger, as defined by the 2012 Ordinance.
15. Under Regulation 2(a) and (b) of the Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations 2012 (the **Regulations**), an undertaking is involved in a merger or acquisition if it is acquiring, or being acquired by, another undertaking.

¹ RBC cees Nominees Limited (Jersey reg), RBC cees Trustee Limited (Jersey reg), RBC cees Directorship Services (Jersey) Limited (Jersey reg), RBC cees Corporate Services (Jersey) Limited (Jersey reg), RBC cees Guernsey Limited (Guernsey reg), RBC cees Corporate Services (Guernsey) Ltd (Guernsey reg), RBC cees Directorship Services (Guernsey) Limited (Guernsey reg), RBC cees Trustee Guernsey Limited (Guernsey reg)

² RBC cees Guernsey Limited, RBC cees Corporate Services (Guernsey) Limited, RBC cees Directorship Services (Guernsey) Limited, RBC cees Nominees Limited, RBC cees Trustee Guernsey Limited, RBC cees Trustee Limited.

16. On completion of the notified transaction, the Purchaser will acquire 100% of the shares in the Target. Both the Purchaser and the Target are therefore involved in a merger for the purposes of the Regulations.
17. Under s.13(1) of the 2012 Ordinance, certain mergers must be notified to, and approved by the GCRA before they can be put into effect. Regulation 1 of the Regulations provides that mergers must be notified to the GCRA for clearance if:
 - a. The combined Channel Islands turnover of the undertakings involved in the merger exceeds £5 million, and
 - b. Two or more of the undertakings involved in the merger have Guernsey turnover exceeding £2 million.
18. According to information provided by the notifying parties, the combined and individual applicable turnover of the Parties in the Channel Islands and Guernsey exceeds these thresholds. On this basis, the GCRA's approval is required before the acquisition is executed.

Market Definition

19. Under s.13 of the 2012 Ordinance, the GCRA must determine if the merger would substantially lessen competition within any market in Guernsey for goods or services.
20. As an initial step, the GCRA will identify the markets which are likely to be affected by the merger since market definition provides a framework within which the competitive effects of a merger can be assessed. However, the boundaries of the market do not necessarily determine the outcome of the analysis of the competitive effects of the merger. This is because there can be constraints on the merging parties from outside the relevant market, segmentation within the relevant market or other ways in which certain constraints are more significant than others. The GCRA will, where appropriate, take these factors into account in its assessment.
21. When defining a market, the GCRA may take note of its own previous decision-making practice and/or market definitions applied by other competition authorities. However, these previous decisions are not precedents and are not binding, either on the merging parties or on the GCRA. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts³.

³ This approach is consistent with that taken under EU law – see, for example, Joined Cases T-125/97 and T-127/97 [2000] ECR II-01733, paragraphs 81-82

Views of the Parties

22. The Purchaser and Seller state that the relevant product market is a broad market for fund, trust and company administration (fiduciary) sector, which they characterise as the provision of administration, accounting services and directorships to a variety of private wealth and corporate owned structures, consisting of companies, limited partnerships, trusts and other vehicles, including investment funds.
23. The Purchaser and Seller also raise the possibility of a narrower market for the provision of employee benefit trustee (EBT) services, but contend the above wider market is more appropriate, on the basis of supply side substitution factors viz. that existing regulated providers of trustee services in the wider fiduciary administration market can expand into the EBT sector with little investment in systems and personnel, given that EBT administration is not overly complex and does not require sophisticated IT.⁴
24. For both the wider and narrower candidate product markets raised above, the parties' view is that there is a wider than national geographic market, including Jersey, Guernsey, Isle of Man and Cayman Islands, within which clients can source appropriate EBT or fiduciary administration services.

GCRA Consideration

25. The relevant product market is defined primarily by reference to the likely response of consumers and competitors⁵. It will comprise products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the product's characteristics, prices and intended use. An undertaking cannot have a significant impact on the prevailing conditions of a market if customers can easily switch to other service providers.
26. The relevant geographic market comprises the geographical area within which consumers can switch between suppliers of the relevant product/service, without incurring a small but significant rise in price of between 5 to 10% (often due to increased transport costs). This is the area within which suppliers can compete effectively against one another for customers resident in that area, because the conditions of competition are sufficiently homogeneous.
27. For the reasons set out below, the precise product market definition can be left open in this case, since the Notified Transaction will not give rise to a substantial lessening of competition on any plausible basis.
28. Nevertheless, whichever market definition is adopted, there would be a supra-national (either global or regional) geographic market, which is indicated by prior merger decisions in the Channel

⁴ Cf. Some support for this appears in the Proposed acquisition by Halifax Corporate Trustees Ltd of Mourant ECS Trustees (Jersey) Ltd, Case: M007/06 (a JCRA case).

⁵ CICRA Guideline 7 – Market Definition

Islands,⁶ submissions by the parties and evidenced by the international spread of corporate sponsors of the target group’s employee benefit plans (with Guernsey sponsors being under 1% of the total). Accordingly, this geographic market would include other offshore jurisdictions such as Jersey and Isle of Man, but also, likely, Switzerland, Cayman Islands and Bermuda.

Effect on Competition

Horizontal effects

29. After defining the relevant market, GCRA estimates the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be used as an indication of the overall level of market concentration which will be brought about as a result of the merger.

Broader Fiduciary Market

30. Determining market shares in the broader fiduciary market is difficult⁷, but the purchaser has attempted to determine the market shares of the merging parties, in Guernsey and Jersey, by reference to:

- a. licensee numbers from the Guernsey Financial Services Commission and Jersey Financial Services Commission:

Type	Total Number	JTC Group		Target Group		Combined
		No	%	No	%	
Corporate Fiduciary licensees-Guernsey	658	9	1.37%	6	0.91%	2.28%
Licensed Trust Company Businesses (TCB) and Fund Services Businesses (FSB)-Jersey	1240	21	1.69%	5	0.40%	2.09%

⁶ Proposed acquisition by Capita Fiduciary Group Limited of Eagle Management Services Ltd (Case M145/07). The proposed acquisition of Mourant & Co (MPW) Ltd by RBC Trust Company (International) Ltd, Case: M358/09. Proposed acquisition by Halifax Corporate Trustees Ltd of Mourant ECS Trustees (Jersey) Ltd, Case: M007/06. State Street Capital Markets Services (Jersey) Ltd and State Street Administration Services (Ireland) Ltd by Sanne Capital Markets Ltd, Case: M955/13.

⁷ As noted in the following two JCRA cases: Case M1182G- Proposed acquisition by Praxis IFM Group Ltd of Confiance Ltd. M1155G. Acquisition by JTC Group Ltd of Kleinwort Benson (Channel Islands) Fund Services Ltd.

b. available sector turnover data:

Party	Turnover million (£)	Sector Turnover millions (£)	%
Target Group (Guernsey)	[X]	350 ⁸	[X]
Purchaser Group (Guernsey)	[X]	350	[X]
Total (Guernsey)	[X]	350	[X]
Target Group (Jersey)	[X]	800 ⁹	[X]
Purchaser Group (Jersey)	[X]	800	[X]
Total-Jersey	[X]	800	[X]

c. available sector employee numbers:

Party	Employees	Sector employees	%
Target Group (Guernsey)	[X]	3300 ¹⁰	[X]
Purchaser Group (Guernsey)	[X]	3300	[X]
Total (Guernsey)	[X]	3300	[X]
Target Group (Jersey)	[X]	4290 ¹¹	[X]
Purchaser Group (Jersey)	[X]	4290	[X]
Total-Jersey	[X]	4290	[X]

31. Additionally, the purchaser notes that Target Group's Assets Under Administration (AUA) across Jersey and Guernsey is approximately £ 11bn (split approximately 85% Jersey and 15% Guernsey). Purchaser Group AUA across Jersey and Guernsey is approximately £48 bn (split approximately 80% Jersey and 20% Guernsey). This is in a context where the total AUA of the Trust and Company Service Provider Sector in Jersey alone is £660bn.¹²

32. Accordingly, the purchaser has estimated that the breakdown of Guernsey market shares as between the combined purchaser and target groups and other players in the broader fiduciary market, is as follows:

⁸ Guernsey sector turnover as per Figure 8 of the *GFSC Annual Report and Financial Statements 2019* (page 55).

⁹ Jersey sector turnover as per *Statistics Jersey-Finance and legal sector GCA and productivity report 2018* (aggregate of Trust and Company administration and Fund administration revenue), at page 5.

¹⁰ Sector staffing levels sourced by purchaser directly from the Guernsey Financial Services Commission.

¹¹ Sector staffing levels sourced from paragraph 2.30, page 13 of Jersey National Risk Assessment of Money Laundering -September 2020.

¹² Page 13 of the Jersey National Risk Assessment of Money Laundering (September 2020).

Party	2019 Turnover Millions (£)	Sector Turnover Millions (£)	%
Target Group (Guernsey)	[REDACTED]	350	[REDACTED]
Purchaser Group (Guernsey)	[REDACTED]	350	[REDACTED]
Target and Purchaser Groups (Guernsey)	[REDACTED]	350	[REDACTED]
IQ-EQ (Guernsey)	n/d	350	~5%
Intertrust (Guernsey)	n/d	350	~10%
Equiom (Guernsey)	n/d	350	~5%
Ocorian (Guernsey)	n/d	350	~5%
Praxis IFM (Guernsey)	n/d	350	~5%
Saffrey Champness (Guernsey)	n/d	350	~5%
Butterfield (Guernsey)	n/d	350	~5%
RBC (excluding target group) in Guernsey	n/d	350	~5%
Others (including Zedra, Oak, Sovereign, Vistra, Credit Suisse)	n/d	350	~50%

33. European Guidelines provide that where the combined market share of the merging undertakings does not exceed 25%, the concentration may be presumed not to impede effective competition. The market share on the broader fiduciary markets, as defined above, is below this amount and the concentration can therefore be presumed not to lead to a substantial lessening of competition on the basis of this broader market definition.

34. In any event, it should be noted that not only is the combined Guernsey market shares of the purchaser and target groups relatively low, but that, according to the purchaser's estimation, there are a number of significant players, within this broader fiduciary market, with similar or bigger market shares to the merged entity remaining in the market.

Potential Narrow EBT Services Market

35. Even were EBT Services to constitute a separate and narrow market, the Authority is of the view that this merger would not give rise to a substantial lessening of competition due to a low level of product overlap in this market, with the merger being largely complementary and aimed at upscaling and increasing the small EBT services business of the Purchaser Group.¹³ Accordingly, the combined entity would have only a small increase in market share, above that already held by the target group, in this narrower market and the overall increase of concentration, arising from this merger and in this narrower market, would be minimal.

¹³ A confidential board paper assessing the transaction confirms the essentially complementary nature of the acquisition, indicating that the purchaser group has [REDACTED] EBT services and that the acquisition is aimed at upscaling the purchaser group's EBT services. This is consistent with regulatory press announcements and the filing. This document also reveals that the target business has limited revenue outside of the EBT services market and in the broader fiduciary market (where the purchaser group operates).

36. Furthermore, any impact of the merger is unlikely to be felt in Guernsey, given that the target group aims its plans at international corporates, with many plans prohibiting Guernsey residents. This is borne out by the minimal numbers of its plans with Guernsey settlors and members¹⁴, but also the following table showing the percentage of foreign versus Guernsey based sponsors of its employee benefit plans:

Corporate Sponsor Nationality	
Region	Percentage
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Decision

37. Based on the preceding analysis, the GCRA concludes that the acquisition will not substantially lessen competition within any market in Guernsey for goods or services.

38. The GCRA is also satisfied that the merger would not be to the prejudice of:

- (a) consumers or any class or description thereof;
- (b) the economic development and well-being of the Bailiwick; or
- (c) the public interest.

53. The merger is therefore approved under s.13 of the 2012 Ordinance.

23/03/2021

By Order of the Board of the GCRA

¹⁴ The target group administers [redacted] plans with a Guernsey settlor ([redacted] of which are administered in Guernsey), with total fees in the 2020 financial year of [redacted] ([redacted] in Guernsey). [redacted] members of the plans administered by the target group have Guernsey addresses (and represent fees of [redacted]).