



Case M1325G

Proposed Acquisition by
Estera Holdings (Jersey) Limited
of Heritage Financial Services Group Limited

Decision – Preliminary Review

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*Guernsey Competition and Regulatory Authority
Suite 4, 1st Floor, Plaiderie Chambers
La Plaiderie, St Peter Port
Guernsey, GY1 1WG*

tel: +44 (0)1481 711120

web: www.cicra.gg

email: info@cicra.gg

Background

1. On 17 August 2017, the Guernsey Competition and Regulatory Authority (**GCRA**) received an application for approval from Esera Holdings (Jersey) Limited (**Esera**) for its proposed acquisition of the Heritage Financial Services Group Limited (**Heritage**). This took the form of a request for approval by preliminary review, with both parties being engaged in the financial services sector.
2. The GCRA registered the application on its website on 22 August 2017, with a deadline for comments of 29 August 2017. No comments were received.

Details of the parties

3. The purchaser is Esera Holdings (Jersey) Limited, incorporated and registered in Jersey, company number 118956, and registered office at 13-14 Esplanade, St Helier, Jersey, JE1 1EE. The ultimate parent company is Bramley Topco Limited, incorporated in Guernsey, company number 60585, and registered office 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL which is a 'credit institution' and 'financial institution' as defined by the merger regulations.
4. The target is Heritage Financial Services Group limited, a non-cellular company incorporated and registered in Guernsey with company number 62134, whose registered office is at Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY. The target is the holding company for the business which is a fund administrator, depository and trust and corporate services provider headquartered in Guernsey, with European Union operations in Belfast and Malta.
5. The relevant subsidiaries are listed below with the jurisdiction of incorporation:
 - i) Heritage International Fund Managers Limited (Guernsey)
 - ii) Heritage Corporate Services Limited (Guernsey)
 - iii) Heritage Administration Services Limited (Guernsey)
 - iv) Heritage Depository Company (UK) Limited (UK)
 - v) Heritage Management Holdings (Malta) Limited (Malta)
 - vi) Heritage International Fund Services (Malta) Limited (Malta)
 - vii) Heritage Corporate Services (Malta) Limited (Malta)
 - viii) Collingwood Holdings Limited (Guernsey)
 - ix) Aile Limited (Guernsey)
 - x) Plein Limited (Guernsey)
 - xi) Heritage Corporate Trustees Limited (Guernsey)
 - xii) HG Nominees 1 Limited (Guernsey)
 - xiii) HG Nominees 2 Limited (Guernsey)
 - xiv) Anglo Limited (Guernsey)
 - xv) Anglo Securities Limited (Guernsey)
 - xvi) Pietersen Holdings Limited (Guernsey)
6. Heritage International Fund Managers Limited (**HIFM**) is licensed under Section 28A of the Protection of Investors (Bailiwick of Guernsey) Law 1987; Alie Limited, Anglo Limited, Anglo Securities Limited, Heritage Corporate Trustees Limited, HG Nominees 1 Limited, HG Nominees 2 Limited and Plein Limited are joint licensees under Section 14(1) and Section 39(2) of the Regulation of Fiduciaries, Administration Business and Company Directors, etc. (Bailiwick of Guernsey) Law 2000, with Heritage Corporate Services Limited being the lead licensee.

The transaction

7. Estera will purchase the entire issued share capital in Heritage. The UK Financial Conduct Authority, the Guernsey Financial Services Commission and the Malta Financial Services Authority have all been informed of the merger.

Need for referral

8. Each of the undertakings has turnover in Guernsey in excess of £2m and a combined turnover in excess of £5m in the Channel Islands, therefore the transaction is prescribed¹.
9. Estera has a global turnover of [REDACTED], £3.2m of which arises in Guernsey and £14.1m in Jersey. These figures include the acquisition of Morgan Sharpe in April 2017. Without this, the applicable turnover in Guernsey was less than £2m. Heritage has a worldwide turnover of [REDACTED], with £9.8m arising in Guernsey.
10. The acquirer is a qualifying 'financial institution' and 'credit institution', and the application for approval through preliminary review in Guernsey is granted in accordance with the *Competition (Prescribed mergers and acquisitions) (Guernsey) Regulations 2012*.

Effect on competition

11. Both Estera and Heritage are active in fund administration, depositary and trust and corporate services.
12. Product Market: the parties consider that the proper relevant product market is the provision of fund administration, depositary and trust and corporate services to a 'blue chip' client base of listed funds, long-term private equity and infrastructure alternative funds and a wide range of trust and corporate structures.
13. The 'fund administration, depositary and trust and corporate services' comprise of a set of services including the administration, accounting services and directorships to diverse corporate owned structures consisting of other companies, limited partnerships, trusts and other vehicles, including investment funds.
14. As discussed below, when considering the competitive effect of the proposed acquisition, reaching a definitive conclusion on the scope of the relevant product market is not necessary because the GCRA concludes that there is unlikely to be a substantial lessening of competition in any potential relevant product market.
15. Geographic Market: the parties maintain that clients have the ability to switch easily to the provision of services from one type of structure to another and to move from one jurisdiction to another. This is in line with previous JCRA decisions in Jersey².
16. For similar reasons to those given above, a definitive position concerning the precise scope of the relevant geographic market is not necessary because no matter how the market is defined, the proposed acquisition is unlikely to result in a substantial lessening of competition in Guernsey or any part thereof.

¹ As set out in the *Calculation of Turnover (Guernsey) regulations 2012*;

² See for example M007/06 Halifax Corporate Trustees Limited, Mourant ECS Trustees (Jersey) Limited

17. **Market Share and Concentration Levels:** the following table contains information taken from the Guernsey Financial Service Commission Annual Report for 2016³:

Type	Total Number	HIFM		Estera		Combined
		Number	%	Number	%	
Licenses	644	14	2.17%	24	3.73%	5.90%
Closed Ended Funds	650	21	3.23%	24	3.69%	6.92%
Non-Guernsey Schemes	176	10	5.68%	2	1.14%	6.82%

Type	Total Net Asset Value	HIFM		Estera		Combined
		Value	%	Value	%	
Closed Ended Funds	£159BN	£12BN	8.15%	£6BN	4.10%	12.25%
Non-Guernsey Schemes	£54BN	£13.7BN	25.21%	n/a ⁴	n/a	25.21%

18. Whilst the value of the Non-Guernsey Schemes accounts for just over 25% of the market by value, the market share by number is under 7%. Additionally, the two Estera schemes are currently inactive therefore there is no impact by value.

19. Fiduciary Business: there was a total of 154 persons holding a full fiduciary licence as at 30 June 2016. Heritage Corporate Services Limited (**HCSL**) is the lead licensee for a sub-group of companies providing fiduciary services, and has 21 staff. This puts it in the same category by number of staff as 44 other licensees.

20. Of the 154 licensees, 24 fall into the turnover band of between £2M and £4M with HCSL. Estera Trust (Guernsey) Limited falls into the category £250,000 to £1,000,000 along with 46 other licensees.

Conclusion

21. On this basis, the GCRA concludes that in accordance with section 13(2) of the *Competition (Guernsey) Ordinance 2012*, the acquisition would not substantially lessen competition within any market for goods and services in Guernsey.

22. The GCRA therefore approves the application for approval in accordance with section 17(1) of the *Competition (Guernsey) Ordinance, 2012*.

04 September 2017

By order of the GCRA board

³ www.gfsc.gg/sites/default/files/2016%20Annual%20Report%20-%20final%20version%20colour.pdf

⁴ These Non-Guernsey Schemes had not launched at the time of the Commission's Annual Report and one has subsequently had its registration surrendered.