



Case M1589G

Proposed acquisition of Praxis Fund Holdings Ltd by Sanne
Holdings Ltd

Decision

Guernsey Competition & Regulatory Authority

1 November 2021

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Summary

1. Sanne Holdings Ltd, through a controlled group company, Sanne Finance Ltd, proposes to acquire the entire issued share capital of Praxis Fund Holdings 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 13 October 2021, the GCRA received an application from Sanne Holdings Ltd (the **Purchaser**) for the proposed acquisition, through its subsidiary, Sanne Finance Ltd, of the entire share capital of Praxis Fund Holdings Ltd (the **Target**) (the **Notified Transaction**).
5. The GCRA registered the application on its website with a deadline for comments of 5pm on Wednesday, 27 October 2021. No submissions were received.

The Parties

6. The Purchaser is Sanne Holdings Ltd, a Jersey registered private company, with registration number 56752. Sanne Finance Ltd is a group company controlled by the Purchaser and is a Jersey registered private company, with registration number 115414. Both companies are ultimately controlled by Sanne Group plc. Sanne Group plc (and its immediate subsidiary, the Purchaser) had a turnover of £[X] million in Guernsey, £[X] million in the Channel Islands and £[X] million worldwide for the year ending 31 December 2020.
7. The Purchaser and its group provide fiduciary, corporate and administrative type services, specifically fund administration services and have operations in 22 jurisdictions.
8. The Seller is PraxisIFM Group Ltd, a Guernsey registered non-cellular company, with the registration number 30367, and is listed on The International Stock Exchange. It and its group provide fiduciary and administrative type services through their corporate, private client and fund administration businesses.
9. The Target is Praxis Fund Holdings Ltd, a Guernsey registered non-cellular company, with registration number 57514, which has various subsidiaries in the United Kingdom, Jersey, Guernsey¹ and Malta. The Target had turnover of £[X] million in Guernsey, £[X] million in the Channel Islands and £[X] million worldwide for the year ending 30 April 2021.

¹ Guernsey subsidiaries are: Praxis Fund Services Ltd, International Fund Management Ltd and PFS Directors 1 Ltd.

10. The Target and its subsidiaries provide fund administration services in Guernsey, Jersey, Malta and the United Kingdom.

Guernsey: Requirement for GCRA Approval

11. 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”*.

12. 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.

13. The notified transaction is therefore a merger, as defined by the 2012 Ordinance.

14. 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.

15. On completion of the notified transaction, Sanne Finance Ltd will acquire 100% of the shares in the Target. Both it and the Target are therefore involved in a merger for the purposes of the Regulations.

16. 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.

17. According to information provided by the notifying party, the combined and individual applicable turnover of the merging parties in the Channel Islands and Guernsey (considered together with that of their connected undertakings) exceeds these thresholds. On this basis, the GCRA's approval is required before the acquisition is executed.

Market Definition

18. 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.

19. 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.
20. 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 facts².

View of the notifying party

21. The Purchaser states that the relevant product market is a global market for fund administration.

GCRA Consideration

22. The relevant product market is defined primarily by reference to the likely response of consumers and competitors³. 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.
23. 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.
24. 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.
25. 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 Islands.⁴ This is evidenced by a recent Frontier Economics report into the source of investment

² 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

³ GCRA Guideline 7 – Market Definition

⁴ 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.

funds in Guernsey investment funds generally,⁵ as well as supported by the largely foreign nature of investors in the Target Group administered funds⁶. Accordingly, this geographic market would be likely to include other European and UK offshore jurisdictions, including Jersey, Isle of Man, Switzerland and Malta, but also offshore jurisdictions close to the United States, such as the Cayman Islands, British Virgin Islands and Bermuda, if not wider international offshore centres.

Effect on Competition

Horizontal effects

26. After defining the relevant market, the 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.

27. Determining market shares in fiduciary and fund administration sectors is difficult.⁷ Much statistical data is from the Guernsey Financial Services Commission (**GFSC**) which collects and categorises data for its specific legal and regulatory mandate, into:

- a. fiduciary services under the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 – including, significantly, the establishment and administration of trusts and foundations, and the administration of companies/partnerships; and
- b. fund administration and management under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (**POI**) – including, significantly, the establishment and administration of collective investment schemes.

These sectoral divisions between fiduciary and fund administration activities do not necessarily reflect competition markets.

State Street Capital Markets Services (Jersey) Ltd and State Street Administration Services (Ireland) Ltd by Sanne Capital Markets Ltd, Case: M955/13.

⁵ Frontier Economics, Capital Flows: Analysis of Guernsey Investment Funds sector, August 2020 (A report produced for the Committee for Economic Development). As at page 18, this shows the source of Guernsey investment funds to be: UK (34%), Rest of Europe (23%), US (20%), Rest of the World (16%), Guernsey (6%) and Jersey (1%).

⁶ In excess of [X], by assets and number of investors in the Target Group administered funds are estimated to be non-Guernsey residents, including a very sizeable [X] investor base (save, possibly, for four [X] funds, which represent a small proportion of the assets under management). The majority of the promoters/investment managers to Target Group administered funds are UK based ([X]%).

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.

28. The merging parties report negligible Guernsey fiduciary service revenue to the GFSC and indicate that this is income mainly related to services rendered to certain fund-like structures not currently captured by the POI.⁸
29. In a narrow Guernsey geographic market, the merging parties predominantly conduct fund administration activities. Calculated against GFSC figures for the net asset value of Guernsey closed and open-ended funds, as at mid year 2021⁹, on the most conservative basis¹⁰, the parties estimated that:
- The Target group had around [X]% of this under its administration (around [X]% of open-ended funds and [X]% of closed-ended funds)¹¹;
 - The Purchaser group had around [X]% of this under its administration (around [X]% of closed-ended funds and [X]% of open-ended funds)¹²;
 - Accordingly, the merging parties have, together, [X]% of the net total assets of Guernsey funds under their administration (being [X]% of open-ended funds and [X]% of closed-ended funds).
30. As at 30 June 2020, the Monterey Insights Report reflected that Praxis Fund Services had around 1.9% of the Guernsey fund administration sector, measured by assets under administration. Sanne Group¹³ (together with Private Equity Administrators¹⁴, which was taken over by Sanne Group during late 2020) had a combined share of around 2% of this fund administration sector. Therefore, together, the merged entity had an around 4% share of this fund administration market, by assets under administration.
31. Although the Purchaser is not able to estimate the market shares of other participants in a Guernsey fund administration sector, it considers that the merged entity would have a market share significantly below Aztec, Northern Trust and Ocorian. The Monterey Insights report confirms this and shows several other firms that would have larger market shares than the combined entity, including Alter Domus, Apex Partners and Apex Fund Services amongst others.
32. 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.

⁸ The merging parties report the following fiduciary income: £[X] million for Target group (until 30 April 2021) and £[X] million for the Purchaser (until 31 December 2020), as against an aggregate turnover for full fiduciary licensees of circa £350 million (GFSC Annual Report and Financial Statements, 2020, at page 59 - Figure 8).

⁹ GFSC Statistics for the Second Quarter 2021 show total net assets of Guernsey funds to be £272.6 billion, with Guernsey domiciled open-ended funds being £50 billion and closed ended funds being £222.6 billion. See: <https://www.gfsc.gg/news/june-quarter-2021-investment-statistics> .

¹⁰ The Purchaser indicates that this basis may overstate Target Group percentages.

¹¹ As at 30 April 2021, the Target group had £[X] billion assets under administration (£[X] billion for open-ended funds and £[X] billion for closed-ended funds).

¹² As at 30 June 2021, the Purchaser group had £[X] billion assets under administration (with over £[X] billion being closed-ended funds and less than £[X] billion being open-ended funds).

¹³ 1.07%

¹⁴ 1.11%

Even narrowing the geographic market to Guernsey, the combined market share of the merging parties on either the fiduciary or fund administration sector is well below this amount and the concentration can therefore be presumed not to lead to a substantial lessening of competition. Additionally, the accretion of market share (of around 2%) in the fund administration sector, which arises through this merger, is relatively small.

33. The Purchaser asserts that the Purchaser and Target groups have differing target markets and have not competed against one another in bids in the last few years. Given that the parties overlap predominantly in regard to closed-ended funds, it is possible that there may be a level of differentiation in the clients targeted, but this does not need to be decided to clear this merger.
34. Furthermore, any impact of the merger is unlikely to be felt in Guernsey, since the overwhelming majority of the ultimate beneficiaries of the merged entity are estimated and expected to be non-Guernsey investors.¹⁵
35. Lastly, the Seller emphasizes the contestable barriers to entry into fund administration, with increasing commoditisation of core services, the self-supply¹⁶ and potential for self-supply of these services by corporates/investment managers, and, lastly, the strong countervailing negotiating power of sophisticated investment managers and corporates (who are themselves under pressure to reduce administrative cost by their own institutional investors). Given the broad geographic market, low Guernsey market shares and impact, the existence and significance of these factors need not be investigated and decided, but might conceivably render the fund administration market more competitive.

Decision

36. 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.
37. 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.

01/11/2021

By Order of the Board of the GCRA

¹⁵ Guernsey residents are estimated to be less than [X]% of the Target group administered funds, by assets and number (save for a small proportion of assets constituted by the 4 [X] funds, which while they have an international client list, may have a higher proportion of Channel Island residents). The majority of the promoters /investment managers for both the Purchaser and Target group administered funds are UK or international institutional managers which are considered unlikely to have many Guernsey based clients in their funds.

¹⁶ The Purchaser estimates that over 60% of closed-ended funds have their administration carried out in-house.