



DETERMINATION OF MERGER NOTIFICATION M/07/028 – CITIGROUP/BISYS

Section 21 of the Competition Act 2002

Proposed acquisition of the BISYS Group Inc. by Citigroup Inc.

Dated 19/06/07

Introduction

1. On 31 May 2007, the Competition Authority, in accordance with Section 18(1)(a) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of the proposed acquisition of the BISYS Group Inc. (“BISYS”) by Buckeye Acquisition Sub, Inc. (“Buckeye”). Buckeye is a wholly-owned subsidiary of Citibank N.A. (“Citibank”). Citibank is, in turn, a wholly-owned subsidiary of Citigroup Inc. (“Citigroup”).
2. As a result of the proposed transaction, Citigroup intends ultimately to combine BISYS’ Fund Services and Alternative Investment Services units with its own operations, subject to regulatory approval. It also proposes immediately to dispose of the BISYS Insurance Services group and the BISYS Retirement Services business to JC Flowers, a private equity house.
3. The parties submitted to the Authority that since the assets to be disposed of to JC Flowers would only be held by Citigroup for “a legal instant”, their acquisition by Citigroup should not be regarded by the Authority as forming part of the proposed transaction.
4. However, the acquisition of the entire BISYS group was notified to the Authority. Therefore, the Authority will consider the competitive effects of the entire transaction.

The Undertakings Involved

5. Citigroup is a publicly traded company, whose common stock is listed on the New York Stock Exchange, the Pacific Exchange and the Mexican Stock Exchange. It is a diversified financial services holding company, whose business provides a broad range of financial services to corporate customers and consumers. It is active in more than 100 countries worldwide. In the financial year ended 31 December 2006, Citigroup had a worldwide turnover of approximately €71,372 million.
6. Citigroup’s wholly-owned subsidiary, Citibank, is a global commercial bank. Its principal offerings include consumer finance, mortgage lending, retail banking products and services, investment banking, commercial banking, cash management, trade finance, e-commerce products and services, and private banking products.
7. Buckeye is an acquisition vehicle and conducts no commercial activities on its own behalf, either in the State or worldwide.

8. In the State, Citibank Europe plc (a wholly owned subsidiary of Citigroup) provides a range of fund services to clients. In addition, a number of other Citigroup subsidiaries: Citigroup Capital Finance Ireland Limited, Citibank International plc (Dublin Branch), Citibank NA (Dublin Branch), and Citigroup Global Markets Limited (Dublin Branch) offer a broad range of financial services to both domestic and international clients. In the financial year ended 31 December 2006, Citigroup generated turnover in the State of approximately €[...] million, of which €[...] million was revenue derived from fund services.
9. BISYS is a publicly traded company, whose shares are listed on the New York Stock Exchange. It maintains offices throughout the US, in addition to offices in Ireland, Bermuda, Hong Kong and the Cayman Islands. The BISYS Investment Services group provides a range of investment services, including: mutual fund, separately managed account, hedge fund, private equity fund and retirement plan services. The BISYS Insurance Services group provides life-related insurance and commercial property/casualty insurance distribution services. The worldwide turnover of BISYS for the financial year ended 30 June 2006 was approximately €692.78 million.
10. The European operational headquarters of BISYS are located in Ireland, with offices in both Dublin and Waterford. BISYS has two Irish subsidiaries, BISYS Hedge Fund Services (Ireland) Limited and BISYS Fund Services (Ireland) Limited. BISYS Fund Services (Ireland) Limited provides an administrative solution for asset managers who sponsor fund products of various European domiciles. Key services include distribution management, transfer agency, fund accounting, fund administration, client services, compliance and information technology. BISYS Hedge Fund Services (Ireland) Limited provides administration, accounting, transfer agency and corporate secretarial services for the alternative investments industry, including hedge funds and fund-of-funds.
11. In the State, for the financial year ended 30 June 2006, BISYS generated turnover of approximately €[...] million. The BISYS Insurance Services group and the BISYS Retirement Services business do not generate any turnover in the State.

Analysis

Overlap

12. In the State, both parties provide fund services that are outsourced by large hedge and mutual funds

Product and Geographic Markets

13. The parties submitted that in the absence of competition concerns, it is not necessary to define any relevant market(s) for the purposes of the Authority's assessment. However, they submitted that the relevant sector is that of fund services, comprising administration of mutual funds, hedge funds, private equity funds and other fund investment products
14. The parties submitted that these fund services include:
 - Administration;

- Accounting;
 - Transfer agency;
 - Shareholder services;
 - Legal compliance; and
 - Regulatory support.
15. The parties also submitted that the provision of fund services is on a worldwide basis, with competitors providing services to corporate clients across various countries, e.g. BISYS' European clients are mainly serviced from its Irish offices. The parties also stated that since the fund services provided to both Irish-domiciled and non-domiciled funds are identical, it is appropriate to consider the administration of such funds together.
16. The Authority considers that it is not necessary to define the relevant product and geographic markets in the present case, since the proposed acquisition does not raise competition concerns in relation to fund administration services in the narrowest geographic sector (that of fund administrators based in the State), and regardless of whether or not the administration of Irish-domiciled funds is considered separately.

Competitive Effects

17. Using Lipper Fitzrovia¹ data, on the basis of assets under management (which the parties have argued is the most appropriate measure), the merged entity would have an aggregate share of approximately 2.92% of the Irish-domiciled funds administration sector and approximately 5.55% of the combined Irish-domiciled and non-domiciled funds administration sector.
18. On the basis of the number of funds administered, the parties would have an aggregate share of approximately 9.82% of the Irish-domiciled funds administration sector and approximately 11.71% of the combined Irish-domiciled and non-domiciled funds administration sector.
19. Thus, whether calculated on the basis of assets under management or number of funds administered, there would be limited sectoral share accretion post-merger.
20. The parties have also provided data from Lipper Fitzrovia listing 42 companies in total offering fund administration services in the State as at 30 June 2006. Such companies are global players with significant financial strength, both worldwide and in the State. They include State Street, JP Morgan, PFPC International and the Bank of New York (which proposes to merge with Mellon Financial Corporation in the near

¹ Lipper Fitzrovia is a London-based investment funds research company. All the sectoral shares provided are those as at 30 June 2006.

future). Post-merger, the merged entity will face vigorous competition from these strong market players.²

21. Given the low sectoral shares of the merged entity and the presence of other strong competitors, the Authority considers that the proposed transaction does not raise competition concerns in relation to fund administration in the State, regardless of whether or not the administration of Irish-domiciled funds is considered separately.

Determination

22. The Competition Authority, in accordance with Section 21(2)(a) of the Act, has determined that, in its opinion, the result of the proposed acquisition of the BISYS Group Inc. by Citigroup Inc. will not be to substantially lessen competition in markets for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki

Member of the Competition Authority

² In Case M/07/026, *State Street/IFIN*, the Authority also found that fund administration customers have strong buyer power and that switching between service providers is a regular occurrence.