

**THE CONTROL OF CONCENTRATIONS
BETWEEN ENTERPRISES LAWS 1999 TO 2000**

**Notification of concentration regarding the acquisition of 99% of the share capital
of the Cooperative Credit Institutions by Cooperative Central Bank Ltd**

Commission for the Protection of Competition:

Mrs. Loukia Christodoulou,	Chairperson
Mrs. Eleni Karaoli,	Member
Mr. Andreas Karides,	Member
Mr. Charis Pastellis,	Member
Mr. Christos Tsingis	Member

Date of decision: 25 October 2013

SUMMARY OF THE DECISION

The Commission for the Protection of Competition (hereinafter the «Commission») received a notification of a proposed concentration by Cooperative Central Bank Ltd (hereinafter the «CCB»), in accordance with section 13 of the Control of Concentrations between Enterprises Law (Number 22(I)/99) (hereinafter the «Law»). The notification concerns the acquisition of 99% of the share capital of all the Cooperative Credit Institutions (hereinafter the «CCI») by CCB.

The Cooperative Central Bank Ltd serves its members and customers through four branches offering a full range of banking services. CCB acts also as the banker of all CCIs.

The Cooperative Credit Institutions offer financial services to their members and customers providing, among other things, loans and accepting deposits.

This transaction is based on the relevant Order of the Minister of Economics, dated 4 October 2013, in respect to the restructuring plan of the cooperatives sectors that was agreed in the Memorandum of understanding between the Republic of Cyprus and the European Commission, the European Central Bank, the International Monetary Fund (hereinafter the «Troika»). According to the restructuring plan's provisions, there will be 17 mergers and from 93 CCIs only 18 will be left.

The amount that was agreed to be raised for the Cooperative sector is around €1.5 billion. The Cyprus government will give the above mentioned amount to the CCB and will receive shares in the CCB. The CCB will distribute the amount to the 18 CCIs. Through the present transaction, CCB will acquire 99% of the share capital of the CCIs, and the remaining 1% of their share capital will be held by the existing shareholders. The board of CCB will be appointed by the Ministry of Finance but will be independent.

The Commission, taking into account the above facts and events concerning this concentration has concluded that this transaction constitutes a concentration within the meaning of section 4(1)(b)(ii) of the Law, since there will be a change in the control over the CCIs on a permanent basis.

Furthermore, based on the information contained in the notification, the Commission found that the criteria set by section 3 (2) (a) of the Law were satisfied and therefore the notified concentration was of major importance under the Law. According to the notification, the aggregate turnover achieved by CCB and the 93 CCI's combined for the year 2012, exceeded, in relation to each one of them, 3.417.203 euro. In addition, all the above mentioned companies engage in commercial activities within the Republic of Cyprus and thus their turnover for the year 2012, exceeded 3.417.203 euro.

Both enterprises in this case are active in the banking services. The Commission having in mind the method of publication of the banking data of commercial banks by the Central Bank of Cyprus¹ and its previous relevant decisions², has proceeded in dividing banking services into the following areas: (a) Loans and (b) Deposits.

¹ http://www.centralbank.gov.cy/nqcontent.cfm?a_id=6897

² Decision CPC 61/2012: Notification of a concentration concerning the acquisition of the share capital of Eurobank Ergasias S.A. by National Bank of Greece S.A., through a Public Offer **AND**

The Commission, taking into consideration its previous relevant decisions³ and the reasoning followed by the European Commission in relative cases⁴, has defined the geographic scope of the market for Loans as well as for Deposits as national due to the competitive conditions within individual Member States, the importance of having a network of branches and language barriers.

The Commission taking into account that both enterprises in this case are active in the relevant market within the Republic of Cyprus has proceeded in evaluating the merger.

According to the data given by the parties of the present transaction, the combined market share of the CCB and the CCI's for both Loans and Deposits is above 15%. Given the above evaluation, the Commission has noted that the undertakings participating in the present concentration engage in business activities in the same market or a specific group of services, which indicates the existence of a horizontal relationship among the parties.

In respect to the above market shares and the Schedule I of the Law, the Commission in accordance to Section 12 proceeded in accessing the criteria of compatibility.

In respect to the immense changes which occurred in the banking sector and specifically the Sales of Several Projects of Cyprus Popular Bank Public Co Ltd, which was issued under Law 2013 on Restructuring Credit and Other Institutions, from 29 March 2013, the insured Deposits and the majority of assets and Loans of Laiki Bank have been absorbed by the Bank of Cyprus⁵. This fact along with the recapitalization of the Bank of Cyprus and the recession of the Cypriot economy, have led to the shrinking of the banking sector in Cyprus. The Commission also noted the concentrations that have

Decision CPC: 53/2012 - Notification of concentration regarding the acquisition of the share capital of Emporiki Bank of Greece SA by Alpha Bank SA.

³ Ibid

⁴ Case No COMP/ M.6168 - RBI/EFG EUROBANK/JV

⁵ <http://www.laiki.com/GR/Announcement/Pages/exLaikiAnnouncement.aspx>

taken place in the banking sector in the year 2012 which led to the reduction in the number of firms operating in the relevant sector.⁶

Taking into account the data submitted by the relevant parties, the total amount of Loans and Deposits in Cyprus have decreased in the year 2013.

Moreover according to the data submitted by the relevant parties, the Cooperative Sector comes second in both the market shares in respect to Loans and Deposits, after Bank of Cyprus, while Hellenic bank of Cyprus is third in rank.

In addition, the Commission has proceeded in assessing the overall level of concentration in the market in accordance with the Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (2004/C 31/3) through the application of the Herfindahl-Hirschman Index (HHI). According to the Guidelines, the European Commission is unlikely to identify horizontal competition concerns in a market with a post-merger HHI below 1000 and is also unlikely to identify horizontal competition concerns in a merger with a post-merger HHI between 1000 and 2000 and a delta below 250, or a merger with a post-merger HHI above 2000 and a delta below 150.

The Commission, taking into consideration the above guidelines, as well as the data submitted by the relevant parties in respect to Loans and Deposits, has not identified in the present case horizontal competition concerns.

Moreover, taking into consideration the new facts of the banking sector and the market shares of the Bank of Cyprus which is the leading banking institution in respect to Loans and Deposits, the Commission concluded that there is no substantial reason for further evaluating this merger case because with the strengthening of the Cooperative Sector, the market will benefit from an equivalent in size banking institution to the Bank of Cyprus and this fact alone will also benefit competition in the banking sector.

⁶ Decision CPC 61/2012: Notification of a concentration concerning the acquisition of the share capital of Eurobank Ergasias S.A. by National Bank of Greece S.A., through a Public Offer AND Decision CPC: 53/2012 - Notification of concentration regarding the acquisition of the share capital of Emporiki Bank of Greece SA by Alpha Bank SA.

The Commission, on the basis of the factual and legal circumstances, applying the relevant provisions of the Law and taking into consideration the report of the Service, unanimously decided that even though in the present case there is an affected market, this concentration does not create or strengthen a dominant position and does not raise serious doubts as to its compatibility with the competitive market.

Therefore, the Commission, acting in accordance with section 18 of the Law, unanimously decided not to oppose the notified concentration and declare it as being compatible with the requirements of the competitive market.

Mrs. Loukia Christodoulou
Chairperson of the Commission for the Protection of Competition