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Competition and Markets Authority
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By e-mail only

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Dear Joanna and Colin

Scope of CMA PCA remedies package

In the course of mapping out the envisaged remedies implementation work, a point relating to the scope of the PCA remedies has come up that we wanted to take the opportunity to confirm with the CMA at this stage.

HSBC operates a Private Banking business in the UK which is housed in a separate corporate entity from HSBC's mass market/mass affluent retail consumer banking business (Global UK Private Bank or "PBGB"), and which is managed and governed separately from it. The eligibility threshold for being a PBGB customer is very high: a customer must have at least £3 million in investible assets. In the UK PBGB has [REDACTED] "relationships" with lead account holders.¹

Given the distinct nature of this business and given that, during the market investigation process, the CMA has not carried out any material analysis of competition or customer outcomes in the provision of private banking services to very high net worth individuals (as distinct from mass market retail banking services), it is our understanding that the PCA remedies package will not apply to this business. Indeed, all of our submissions have been made on the basis that this business was not within the focus of the CMA's inquiries. This should be uncontroversial, but in case it is not obvious to the CMA we wanted to take the opportunity to explain below why any other outcome would be unjustified.

As the CMA is aware, HSBC's retail banking business (RBWM) provides mass market retail banking services, including to affluent customers under the HSBC Premier brand.² The nature of the service PBGB provides to its clients is fundamentally different to the service RBWM provides to its retail PCA customers in a number of ways:

- PBGB's focus is on offering its clients a comprehensive range of bespoke asset management, investment, and lending services. The provision of a basic transactional banking service is incidental to these services [REDACTED].
- Clients receive dedicated personal service from their own relationship banker, either in person or on the telephone. The costs of serving PBGB clients are significantly higher than the costs associated with services provided to our retail banking customers.
- [REDACTED]
- To the extent that PBGB offers overdrafts, these are priced on a bespoke basis for individual clients.

¹ GPB may hold accounts for lead account holders and members of the lead account holder's family or other connected persons. There are between [REDACTED] personal sterling current accounts held by GPB PBGB clients.

² In order to be eligible as an HSBC Premier customer, an individual must have savings or investments with HSBC in the UK of at least £50,000, or must have an annual income of at least £100,000 and either an investment, life assurance or protection product with HSBC.

- PBGB's closest competitors include Coutts, UBS, Credit Suisse, Morgan Stanley and JP Morgan. The private wealth divisions of larger UK high street banks (for example Barclays Wealth) also exercise competitive constraint. The market is fragmented in nature and the distribution of market shares is therefore very different.

HSBC is not aware that the CMA has considered the nature of competition between providers of banking services to the customer segment served by PBGB. Many of the providers who compete with PBGB have not been involved in the CMA's investigation. The Provisional Findings do not contain any analysis of private banking.³ HSBC submits that it would obviously be inappropriate for the CMA to include the current account services offered to very high net worth individuals by PBGB (and other banks who have not been involved in the CMA's investigation) within the scope of the remedies package envisaged in the PDR. To bring PBGB within the scope of the CMA's proposed remedies would leave the CMA vulnerable to objections both on procedural and substantive grounds.

We note that the number of current accounts operated by PBGB is very small ([§]). The burden of implementing the proposed remedies within PBGB would be disproportionate and inappropriate, particularly since this business is entirely separate from HSBC's RBWM business and very different in nature.

If the CMA has any concerns about the appropriateness of excluding PBGB from the application of the remedies, we ask that the CMA allows us an opportunity to engage with its thinking on this issue before reaching a final decision and before publication of the Final Report.

Yours sincerely

Emily Smith-Reid
Deputy General Counsel, Global Head of Competition Law, HSBC

³ The Provisional Findings contain only one reference to private banking, at paragraph 2.23. This is unsurprising given the CMA did not ask any questions about private banking services and HSBC did not include information about PBGB in its RFI responses.