

**Response from: Stephen Mohan, COO, James Hay Partnership**

CMA: Completed acquisition by FNZ (Australia) Bidco Pty Limited of GBST Holdings Limited; Notice of possible remedies under Rule 12 of the CMA's rules of procedure for merger, market and special reference groups; Interested parties are requested to provide any views in writing, including any practical alternative remedies they wish the CMA to consider, by 17.00hrs BST on 18 August 2020

The CMA invites views on:

23a) Whether a full divestiture of GBST would be an effective remedy to the provisional SLC	Yes. This would resolve the issue.
23b) whether a partial divestiture consisting of GBST's global wealth management business would be an effective remedy to the provisional SLC and if so:	Uncertain. I am not aware of what elements of GBST's business sit within Global Wealth Management business.
(i) the scope of the business and assets that would need to be divested in order for this remedy option to be effective;	If this was the entirety of the selling, delivery and support of platform technologies and services, this may be sufficient.
(ii) whether there are risks that the scope of the divestiture package may be too constrained or not appropriately configured to allow a purchaser to operate as an effective competitor in the market now and in the medium term and maintain competitive pace of R&D,	Anything that would force it to depend upon FNZ would undermine the remedial action and make it highly unlikely that a viable competitor would purchase and compete.
(iii) the relevance and importance of GBST's Capital Markets business – which could be retained by FNZ under this option - to the viability and competitiveness of GBST's wealth management operations;	Not known
(iv) the likely attractiveness of GBST's global wealth management business to potential purchasers;	Not known

<p>(v) how easy or difficult it would be to implement the separation required to implement this remedy and the extent to which this would result in ongoing disruption to GBST and deterioration in its competitive capabilities.</p>	<p>Not known</p>
<p>23(c) whether a partial divestiture consisting of all of GBST's UK business would be effective and if so:</p>	<p>Unlikely as I believe the core system is used on a worldwide basis. The remainder of this section shall be answered on the (potentially incorrect) understanding that this is the case.</p>
<p>(i) the scope of the business and assets that would need to be divested in order for this option to be effective;</p>	<ul style="list-style-type: none"> <li>- All UK customer relations &amp; contracts <ul style="list-style-type: none"> <li>o Note that it may be the case that there are customers with both a UK and non-UK presence currently or potentially dependent upon GBST systems across markets. If that is the case, these firms would be disadvantaged by competing firms owning versions of the same systems.</li> </ul> </li> <li>- IP for all systems relevant to UK Platform market support.</li> <li>- The tools, documentation &amp; key resources to maintain the systems and support necessary.</li> </ul>
<p>(ii) whether there are risks that the scope of the divestiture package may be too constrained or not appropriately configured to allow a purchaser to operate as an effective competitor in the market now and in the medium term and maintain competitive pace of R&amp;D;</p>	<p>It may be impossible to provide sufficient resources to both a UK entity and another entity without causing significant harm to the medium term future of one or both. This is based upon general experience of systems firms, not specific knowledge of GBST. Their system is older and more complex as will be the support agreements that they have. Typically a small cadre of longer serving experts have this content and would not easily be divisible.</p>
<p>(iii) the relevance and importance of GBST's Australian operations – which could be retained by FNZ under this option - to the viability and competitiveness of GBSTs operations in the UK and its ability to compete effectively in the relevant market</p>	<p>Not known</p>
<p>(iv) the likely attractiveness of GBST's UK business to potential purchasers;</p>	<p>I believe that the UK client base is a valuable asset for any firm competing in the UK Platform systems space. If the divestiture left the standalone viable, it should be attractive.</p>
<p>(v) how easy or difficult it would be to implement the separation required to implement this remedy and the extent to which this would result in ongoing disruption to GBST and deterioration in its competitive capabilities.</p>	<p>Not known, but I think that the extent of their dependence upon Australian based staff even to support due diligence, I suspect this will be very hard.</p>

23(d) whether a partial divestiture consisting of GBST's UK wealth management business would be effective;	No. This is based on the difficulties stated above, but I repeat that I am not personally clear of what aspects of GBST's business sit within Wealth Management, let alone UK wealth management..
(i) the scope of the business and assets that would need to be divested in order to be effective;	Not known
(ii) whether there are risks that the scope of the divestiture package may be too constrained or not appropriately configured to attract a suitable purchaser or may not allow a purchaser to operate as an effective competitor in the market now and in the medium term and maintain a competitive pace of R&D;	Not known
(iii) the relevance and importance of GBST's Australian business and its UK Capital markets business – which could be retained by FNZ under this option - to the viability and competitiveness of GBST's wealth management operations in the UK	Not known
(iv) the likely attractiveness of GBST's UK wealth management business to potential purchasers;	Not known
(v) how easy or difficult it would be to implement the separation required to implement this remedy and the extent to which this would result in ongoing disruption to GBST and deterioration in its competitive capabilities.	Not known
23(e) for both a full and partial divestiture:	I believe that both firms have maintained separation at this stage, so full divestiture should be relatively simple. Partial divestiture will be complex and time consuming, which is likely to be detrimental to the divested firm and its clients.
(i) whether there are risks that a suitable purchaser is not available or that FNZ will divest to a weak or otherwise inappropriate purchaser	Low risk. While platform valuations have diminished due to C-19, there were a number of viable firms that I understand (from media reports) were very interested in buying GBST.

<p>(ii) whether there are risks that the competitive capability of a divestiture package will deteriorate before completion of divestiture;</p>	<p>I would expect that a total divestiture could be achieved quickly. If this proves to be the case, that will not damage the divested firm. If this drags on, firms like ours are highly unlikely to consider GBST in any bids.</p>
<p>(iii) any other elements that may be required for an effective divestiture remedy, or risks that the CMA should be aware of.</p>	<p>There are parties that would benefit from delaying the divestiture if it re-establishes a viable competitor. As such, it will be important that the decision and ensuing transaction are concluded rapidly and that they are not open to a similar CMA review.</p> <p>If GBST was run for cash, it could provide a purchaser with a reasonable return, but remove GBST from the market. This would partly defeat the objectives of the divestment. Therefore, the purchaser must demonstrate the plans and means to overhaul, or replace the current GBST systems.</p>
<p>25. The CMA invites views on whether there are any specific factors to which the CMA should pay particular regard in assessing purchaser suitability, e.g.:</p>	
<p>(a) Whether non-retail platform solutions providers would be appropriate purchasers;</p>	<p>Yes, if they are sizeable providers of software support and development within a similarly regulated firm and are reasonably capitalised. They must demonstrate the plans to overhaul or replace the systems.</p>
<p>(b) whether private equity firms would be suitable purchasers;</p>	<p>Only if they can demonstrate that it is not in their interests to run it for cash. They must demonstrate the plans to overhaul or replace the systems. I would expect this to mean that they were already owners of a firm with these capabilities.</p>
<p>(c) whether a UK presence and understanding of the UK market is essential.</p>	<p>Yes</p>
<p>26. The CMA invites views on the appropriate timescale for achieving a divestiture</p>	<p>As soon as possible so that the new owner can make a reasonable case to existing and putative clients for the ongoing use of the firm.</p>
<p>28. The CMA invites views on whether FNZ should be required to alter the functions of the current monitoring trustee to oversee the divestiture(s) and</p>	<p>I am not qualified to respond to this question.</p>

<p>to ensure that the business to be divested is maintained during the course of the process</p>	
<p>30. In unusual cases, the CMA may require that a divestiture trustee is appointed at the outset of the divestiture process. The CMA invites views on whether the circumstances of this Merger necessitate such an approach</p>	<p>I am not qualified to respond to this question.</p>
<p>32. The CMA invites views on what costs are likely to arise in implementing each remedy option</p>	<p>I am not qualified to respond to this question.</p>
<p>36. The CMA welcomes views on the nature of any relevant customer benefits and on the scale and likelihood of such benefits and the extent (if any) to which these are affected by the different remedy options we are considering</p>	<p>A full divestment to a firm that has the knowledge and capability to overhaul the systems will dramatically reduce the need for existing clients to migrate to another platform. I am not aware of a migration that has not cost many tens of £Ms and that has not been detrimental to end customers in the short to medium term.</p>