

23. The CMA invites views on:

(a) Whether a full divestiture of GBST would be an effective remedy to the provisional SLC;

We agree with the CMA's preliminary view that, subject to implementation considerations, a full divestiture of GBST to a suitable buyer would represent a comprehensive and effective remedy to all aspects of the SLC it has provisionally found, and consequently any resulting adverse effects.

The CMA has already stated that they consider that a full divestiture of GBST would be similar to a prohibition of the Merger as it would prevent an SLC from resulting in any relevant market.

(b) whether a partial divestiture consisting of GBST's global wealth management business would be an effective remedy to the provisional SLC and if so:

(i) the scope of the business and assets that would need to be divested in order for this remedy option to be effective;

(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,

(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;

(iv) the likely attractiveness of GBST's global wealth management business to potential purchasers; and

(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.

In 2007, GBST Capital Markets acquired InfoComp Pty Ltd which is effectively the current global wealth management business. Therefore it is feasible that a partial divestiture could be achieved, however the remaining capital markets business is unlikely to be a compelling outcome for FNZ and its shareholders.

It is unknown to what extent business functions like technology resources are shared across the capital markets and global wealth management business, and may therefore create an adverse scenario which could further weaken both businesses, create disruption and deterioration in their respective competitive capabilities.

Unravelling a business which has become more closely integrated over the past 13 years, and being able to identify the scope of business and assets which would need to be divested will be costly and take considerable time with no real certainty that this would provide an effective remedy option.

There will be 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. A shared executive management team across the business, the ability to leverage and centralise costs (like technology

development) and multiple revenue lines across the business ceasing – would all be factors that create risks.

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 is not known in detail. However, a significant proportion of total revenue/other income is generated by the capital markets business (c. 36% in 2019) which is relevant and likely important in terms of R&D and other supporting capabilities.

GBST's global wealth management business would inevitably be attractive to potential purchasers, however it would be difficult to implement the separation required to implement this remedy and it would likely result in ongoing disruption to GBST and deterioration in its competitive capabilities.

(c) whether a partial divestiture consisting of all of GBST's UK business would be effective and if so:

(i) the scope of the business and assets that would need to be divested in order for this option to be effective;

(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;

(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 GBST's operations in the UK and its ability to compete effectively in the relevant market;

(iv) the likely attractiveness of GBST's UK business to potential purchasers; and

(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.

Our understanding is that GBST's capital markets business has very little UK presence, therefore would unlikely be an attractive option to potential purchasers if included alongside the current wealth management business.

GBST's UK business is predominantly the wealth management business (c. 44% of total revenue in 2019) therefore comments for section (d) are more relevant to this section.

(d) whether a partial divestiture consisting of GBST's UK wealth management business would be effective;

(i) the scope of the business and assets that would need to be divested in order to be effective;

(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;

(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;

(iv) the likely attractiveness of GBST's UK wealth management business to potential purchasers; and

(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.

As commented under section (b) unravelling a business which has become more closely integrated over the past 13 years, and being able to identify the scope of business and assets which would need to be divested will be costly and take considerable time with no real certainty that this would provide an effective remedy option.

It is unknown to what extent business functions like technology resources are shared across the Australian business and UK Capital markets business, and may therefore create an adverse scenario which could further weaken both businesses, create disruption and deterioration in their respective competitive capabilities.

There will be 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. A shared executive management team across the business, the ability to leverage and centralise costs (like technology development) and multiple revenue lines across the business ceasing – would all be factors that create risks.

The relevance and importance of GBST's Australian business and UK Capital Markets – which could be retained by FNZ under this option - to the viability and competitiveness of GBST's wealth management operations is not known in detail. However, a significant proportion of total revenue/other income is generated by the non-UK wealth management business (c. 56% in 2019) which is relevant and likely important in terms of R&D and other supporting capabilities.

GBST's UK wealth management business would inevitably be attractive to potential purchasers, however it would be difficult to implement the separation required to implement this remedy and it would likely result in ongoing disruption to GBST and deterioration in its competitive capabilities.

(e) for both a full and partial divestiture:

(i) whether there are risks that a suitable purchaser is not available or that FNZ will divest to a weak or otherwise inappropriate purchaser

(ii) whether there are risks that the competitive capability of a divestiture package will deteriorate before completion of divestiture; and

(iii) any other elements that may be required for an effective divestiture remedy, or risks that the CMA should be aware of.

Yes these are all risks which should be considered, in addition the current market climate (coronavirus pandemic) is also going to be a significant factor in finding a suitable purchaser.

Identification of a suitable purchaser

24. The CMA will wish to be satisfied that a prospective purchaser:

- (a) Is independent of the main parties;**
- (b) has the necessary capability to compete;**
- (c) is committed to competing in the market for Retail Platform Solutions excluding in-house software in the UK; and**
- (d) will not create further competition concerns.**

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.:

(a) Whether non-retail platform solutions providers would be appropriate purchasers;

It is unlikely Non-Retail Platforms (stockbroker platforms, private client investment platforms and private banks which tend to deal with more bespoke wealth planning) would be appropriate purchasers as they tend to operate their own propositions and distribution models, on their own technology, rather than powering other parties' solutions. They would also have limited capital resources available to afford this size of transactions or continue to invest into it from an R&D perspective.

(b) whether private equity firms would be suitable purchasers;

Private equity firms may be suitable purchasers, providing that have sufficient capital for the initial and ongoing investment, as well as an understanding of the UK market.

(c) whether a UK presence and understanding of the UK market is essential.

A UK presence and understanding of the UK market would be important but not essential – all the main players in the UK Retail Platform solution market FNZ, GBST (formally InfoComp), Bravura, SEI, SS&C have originated from other countries.

The importance of a UK presence and understanding of UK market would also be determined by the executive management team structure and resources that remained in GBST as part of any transaction.

Effective divestiture process

26. The CMA invites views on the appropriate timescale for achieving a divestiture.

To minimise the ongoing disruption to GBST and FNZ, the wider market, and further deterioration in their respective competitive capabilities the CMA should seek for an accelerated timescale for achieving a divestiture. A timeframe of 6-12 months should be targeted, but may take longer depending on the approach taken. To mitigate timelines, especially if a partial divestiture is pursued, the companies involved could undertake a transitional services agreement to help unwind and replace any shared services that exist in the business today.

27. The CMA will consider what, if any, procedural safeguards may be required to minimise the risks associated with this divestiture.

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 to ensure that the business to be divested is maintained during the course of the process.

It would seem reasonable that FNZ are able to achieve a divestiture which enables them to seek an optimal outcome and return of their investment for the original acquisition. However, it would also seem prudent for the CMA to have oversight of this process to mitigate any risks that it sees having already referenced concerns (that a suitable purchaser is not available or that FNZ will divest to a weak or otherwise inappropriate purchaser, whether there are risks that the competitive capability of a divestiture package will deteriorate before completion of divestiture).

29. The CMA will have the power to mandate an independent divestiture trustee to dispose of the divestiture package if:

- (a) FNZ fails to procure divestiture to a suitable purchaser within the initial divestiture period; or**
- (b) the CMA has reason to expect that the FNZ will not procure divestiture to a suitable purchaser within the initial divestiture period.**

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.

Cost of remedies and proportionality

31. In order to be reasonable and proportionate, the CMA will seek to select the least costly remedy, or package of remedies, that it considers will be effective. The CMA will also seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects. Between two remedies that the CMA considers equally effective, it will choose that which imposes the least cost or restriction. In relation to completed mergers, the CMA will not normally take account of costs or losses that will be incurred by the merger parties as a result of a divestiture remedy.

32. The CMA invites views on what costs are likely to arise in implementing each remedy option.

There will be costs associated with both a full and partial divestiture options, particularly around determining the scope of the business and assets that would need to be divested in order to be effective. In addition there would be the associated costs of implementing any new operating or legal model for the different partial divestiture options. It is likely that costs would be higher for a partial divestiture than a full divestiture.

Relevant customer benefits

33. In deciding the question of remedies, the CMA may have regard to the effects of any remedial action on any relevant customer benefits in relation to the creation of the relevant merger situation.⁹

34. Relevant customer benefits are limited by the Act to benefits to customers in the form of:

- (a) 'lower prices, higher quality or greater choice of goods or services in any market in the United Kingdom ... or**
- (b) greater innovation in relation to such goods or services.'¹⁰**

35. The Act provides that a benefit is only a relevant customer benefit if:

(a) it accrues or may be expected to accrue to relevant customers within the UK within a reasonable period as a result of the creation of that situation; and

(b) it was, or is, unlikely to accrue without the creation of that situation or a similar lessening of competition.¹¹

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.

Ultimately the customer benefits scale and likelihood will be determined by any potential purchaser providing that have sufficient capital for the initial and ongoing investment, as well as an understanding of the UK market.