

Completed acquisition by FNZ of GBST

Provisional report on the case remitted
to the Competition and Markets Authority
by the Competition Appeal Tribunal
on 21 January 2021

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The Competition and Markets Authority has excluded from this published version of the provisional findings report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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Glossary

Summary

Introduction

1. The Competition and Markets Authority (CMA) has provisionally found that the completed acquisition by Kiwi Holdco CayCo, Ltd (KHC), FNZ (Australia) Bidco Pty Ltd (FNZ (Australia)), FNZ (UK) Ltd (FNZ UK) (together FNZ) through its subsidiary FNZ (Australia) of GBST Holdings Limited (GBST) (together known as the Parties) (the Merger) has resulted, or may be expected to result, in a substantial lessening of competition (SLC), as a result of horizontal unilateral effects, in the supply of Retail Platform Solutions in the UK.
2. We invite any interested parties to make representations to us on these provisional findings by no later than 5pm on 30 April 2021. Parties should refer to the notice of provisional findings for details of how to do this.
3. Alongside these provisional findings, we have published a provisional decision on the remedy that would be effective and proportionate to address the SLC that we have provisionally found. We also invite interested parties to make representations on the provisional decision on remedies by 5pm on 30 April 2021.

Background

The remittal

4. On 5 November 2020, the CMA announced its decision that the completed acquisition by FNZ of GBST (the Merger) has resulted or may be expected to result in a SLC, as a result of horizontal unilateral effects, in the supply of Retail Platform Solutions in the UK (Phase 2 Report).¹
5. On 2 December 2020, FNZ submitted a Notice of Application (NoA) challenging certain of the CMA's findings in the CMA's Phase 2 Report to the Competition Appeal Tribunal (CAT). Following receipt of the NoA, the CMA identified certain potential errors in its market share calculations. In light of the nature of these errors, the CMA requested the remittal of the Phase 2 Report for reconsideration. On 21 January 2021, the CAT ordered the remittal of the

¹ Completed acquisition by FNZ of GBST, Final report, 5 November 2020.

Phase 2 Report to the CMA in respect of the finding of an SLC and the final decision as to remedy.

6. In exercise of its duty under section 35(1) of the Act, in the Remittal Inquiry, the CMA must decide:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a SLC within any market or markets in the United Kingdom for goods or services.

The Parties and the transaction

7. FNZ is a global wealth management technology and investment administration services firm, set up in 2003 and headquartered in the UK since 2005.
8. FNZ is active in the supply of technology solutions in the UK, including software to support pension and investment administration; software to support trade settlement and clearing services; transaction processing; and custody services. These solutions enable its customers to provide investment management platforms, either directly to consumers or to financial advisers and employers.
9. GBST is a financial technology company which provides software to support pension administration, investment management and stockbroking. GBST is headquartered in Australia and was listed on the Australian Stock Exchange before being acquired by FNZ.
10. GBST has two main activities in the UK:
 - (a) a wealth management business that provides software to Investment Platforms to support the provision of pensions administration and investment management services to consumers; and
 - (b) a capital markets business that provides software to stockbroking firms to enable the settlement and clearing of trades in listed securities and margin lending.
11. On 5 November 2019, FNZ acquired the whole issued share capital of GBST via a scheme of arrangement in which all GBST shares were transferred to FNZ. In this document and in this inquiry, the CMA will refer to FNZ and GBST collectively as the Parties and the post-Merger business as the Merged Entity.

12. Prior to its acquisition by FNZ, GBST had been engaging in negotiations with two other parties regarding its potential acquisition and it had received bids from Bravura Solutions (Bravura) and SS&C Technologies (SS&C).

Industry background

13. The Parties are both active in the UK in the supply of Platform Solutions to Investment Platforms in the investment management sector.
14. Investment Platforms enable investors and their advisers to invest in a range of financial products. They provide services such as financial and investment advice, asset management, accounting, tax services, and retirement planning to manage a customer's investments. Products available on these Platforms include tax-efficient investments (known as tax wrappers) such as Individual Savings Accounts (ISAs) and Self Invested Personal Pensions (SIPPs). Investment Platforms providers include UK and global banks, insurers, asset managers and wealth managers.
15. Platform Solutions are the software and services which enable the operations of Investment Platforms.
16. Investment Platforms source Platform Solutions using a range of delivery models, including:
 - (a) Software-only Platform Solutions sourced from a third party which the customer combines with in-house servicing or servicing from another third party;
 - (b) Integrated software and servicing Platform Solutions from a single third party provider or a partnership of third party suppliers (known as Combined Platform Solutions); or
 - (c) Software and servicing provided in-house (an in-house solution).

Provisional findings

Relevant merger situation

17. We provisionally found that the Merger has resulted in the creation of a relevant merger situation because it resulted in the Parties' enterprises ceasing to be distinct, and as a result, having a combined share of supply of at least 25% in the supply of Retail Platform Solutions in the UK.

18. In accordance with section 35(1) of the Act, we considered whether the creation of that situation has resulted, or may be expected to result, in an SLC within any market or markets in the UK for goods or services.

The counterfactual

19. The counterfactual is an analytical tool used to help answer the question of whether a merger may be expected to result in an SLC. It does this by providing the basis for a comparison of the competitive situation in the market with the merger against the most likely future competitive situation absent the merger.
20. Prior to its acquisition by FNZ, GBST had been engaged in negotiations with, and had received bids from, two other parties: Bravura and SS&C.
21. We provisionally found that it is likely, on balance, that GBST would have been acquired by an alternative purchaser, SS&C, but that the conditions of competition under this alternative counterfactual would not be materially different from the pre-Merger conditions of competition. In this regard, we note that SS&C exerts a limited competitive constraint in the relevant market and is not a close competitor to GBST. We have seen no evidence that SS&C had planned to materially change the way GBST operates. We therefore provisionally find that, under the ownership of SS&C, GBST would have continued to exert broadly the same constraint as it did pre-Merger.
22. We also provisionally found that, based on the available evidence, particularly in relation to GBST's pre-Merger financial performance and its competitive strength, GBST's competitive presence absent the Merger would not be materially different to its pre-Merger performance.
23. Accordingly, we provisionally conclude that the most likely counterfactual for the purpose of our competitive assessment is the conditions of competition prevailing prior to the contemplation of the Merger.

Market definition

24. Market definition provides a framework for assessing the competitive effects of the Merger and is a starting point for our analysis. The evidence shows that the supply of Retail Platform Solutions is a differentiated service: (i) Investment Platforms have differing needs, depending on their user-base and preferences; and (ii) there is a range of different types of Platform Solutions providers. Accordingly, our competitive assessment has focused on evidence of closeness of competition between the Parties, taking account of constraints both from within and outside the market.

Product market

25. In line with the CMA's Merger Assessment Guidelines, we started our assessment of the product market with the overlapping products of the Parties - the supply of Retail Platform Solutions in the UK - and then assessed whether it should be widened based on a range of sources of evidence, including: (i) evidence on customers' actual preferences as to who to invite to tender and their subsequent purchasing decisions in tenders; (ii) evidence from customers and their consultants, as well as from tenders, on which suppliers they see as alternatives to the existing supplier of their Investment Platform; and (iii) evidence from suppliers on how easy it would be for suppliers of Non-Retail Platforms to adapt their Platform Solutions to enable them to compete for Retail Platforms.
26. Taken together this evidence has allowed us to identify the extent of substitutability between (i) Retail Platform Solutions and other types of Platform Solutions; (ii) different delivery models; and (iii) in-house and outsourced Platform Solutions.

Retail Platform Solutions and other types of Platform Solutions

27. We first considered whether Retail Platforms can be treated as a distinct product category. To do this we assessed whether there is a clear boundary between Retail Platforms and other types of Investment Platform.
28. Retail Platforms typically serve high volumes of customers and are primarily focused on the mass affluent part of the market. They are likely to offer a more restricted range of investment products than other platform types and tend to be focused on providing tax wrapper products such as ISAs and SIPPs. They are built to be highly automated so that they can efficiently manage a very large number of accounts. This contrasts with Non-Retail Platforms, which tend to deal with more bespoke wealth planning with a focus on managing money across a broader set of investments to meet the complex needs of a smaller number of higher net worth end-investors. Non-Retail Platforms are built to provide a more customised service for investors (in the case of PCIM and private banking platforms) or trade financial instruments on behalf of consumers through advisors or allow the consumer the ability to 'Do-It-Yourself' (in the case of retail stockbroking platforms).
29. Although there has been some convergence between different types of Investment Platforms, and some Non-Retail Platforms provide similar core functionality and can serve similar types of investors, there remain key

differences between Retail Platforms and Non-Retail Platforms (as described above).

30. While some Investment Platforms are clearly Retail Platforms and others are clearly Non-Retail Platforms, there are some Investment Platforms which are more difficult to categorise. This is to be expected given the degree of product differentiation within the sector (which also drives the nature of the Platform Solutions specifically sought by each Investment Platform).
31. To determine whether our candidate market should be widened to include providers of Non-Retail Platform Solutions, we considered: (i) the propensity of Retail Platform customers to substitute to Non-Retail Platform Solutions providers (demand-side substitution); and (ii) whether providers of Non-Retail Platform Solutions would have the ability and incentive to quickly adapt their offering and switch capacity to supply Retail Platform Solutions (supply-side substitution).
32. From a demand-side substitution perspective, the evidence we gathered indicates that Retail Platforms would generally be unwilling to substitute to providers of Non-Retail Platform Solutions. In particular:
 - (a) Retail Platforms do not see suppliers of Non-Retail Platform Solutions as credible alternatives because, contrary to FNZ's submissions, these solutions generally lack certain functionalities that Retail Platforms require (eg Non-Retail Platforms are less automated and pensions capabilities are either not required or are significantly less important to these platforms). Even where Non-Retail Platform Solutions providers could provide similar functionalities as Retail Platform Solutions providers, they lack the experience and track record in serving Retail Platforms that Retail Platform Solutions providers have, which is seen as important by Retail Platforms. Evidence from customers indicates that they will take account of a wider set of criteria including the quality and track record of the provider in being able to provide Retail Platform Solutions.
 - (b) Competitors, consultants and customers also consider that there is a distinction between the capabilities of Retail Platform Solutions providers and Non-Retail Platform Solutions providers which would make it difficult for Retail Platforms to switch to providers of Non-Retail Platform Solutions.
 - (c) Whilst some suppliers of Non-Retail Platform Solutions compete in some Retail Platform tenders, their participation is materially less common than that of Retail Platform Solutions providers, both at early and late stages. This indicates that providers of Non-Retail Platform Solutions are less

credible alternatives than Retail Platform Solutions to Retail Platforms. This in turn indicates limited demand-side substitution.

(d) The Parties' internal documents show that the Parties recognise that requirements of Investment Platforms vary, and that, as such, different providers of Investment Platform Solution are focused on different Investment Platform types.

33. Evidence from competitors also indicated that supply-side substitution is likely to be limited. For instance, competitors told us that it would generally take time and would be costly to invest in providing the specific functionalities required to compete effectively in offering Retail Platform Solutions.
34. On the basis of this evidence, we provisionally found that the market should not be widened to include Non-Retail Platforms.
35. FNZ has suggested that our approach to the distinction between Retail and Non-Retail Platforms results in the exclusion from the relevant market of a number of Investment Platforms that, in its view, should be classified as Retail Platforms. We do not agree that this is the case but nevertheless we have considered whether our conclusions would be different in the event that a wider set of Investment Platforms were considered to be Retail Platforms, and accordingly, the Platform Solutions providers to those additional Investment Platforms were competitors in the product market. This has allowed us to test whether our assessment would be affected by including a wider set of Investment Platforms and their Platform Solutions providers in the product market. We identified this wider set using third party information, as well as FNZ's and GBST's views.

Platform Solutions for the management of active and legacy products

36. While there is some distinction in the provision of Retail Platform Solutions to Investment Platforms managing legacy products (ie products that are no longer open for new investments) and those managing active products, Platform Solutions for legacy products can be provided alongside Platform Solutions for active products. We provisionally found, on a cautious basis, that the supply of Retail Platform Solutions to both active products and legacy products are part of the same relevant market. We have taken account of the differentiation between Platform Solutions providers serving legacy products and those serving active products in our assessment of closeness of competition.

Delivery model

37. FNZ and GBST have different delivery models: FNZ offers a Combined Platform Solution and GBST a Software-only Solution. FNZ submitted the main consideration for an Investment Platform when it chooses its Platforms Solutions supplier is whether to choose a Combined Platform Solution or a Software-only Solution. It submitted that these delivery models offer very different solutions for platform customers.
38. We considered whether it is appropriate, within the supply of Retail Platform Solutions, to distinguish between different delivery models and define narrower markets on the basis of the delivery model (Software-only and Combined Platform Solutions). We provisionally found that providers are part of the same product market for the following reasons:
 - (a) a material number of customers consider Software-only Solutions (either alone or in partnership with servicing suppliers) and Combined Platform Solutions by a single supplier as credible alternatives;
 - (b) software-only suppliers and Combined Platform Solutions suppliers compete with each other in a significant number of tenders to provide Solutions to Retail Platforms, even up to the final stage of the tender; and
 - (c) internal documents of the Parties identified both Software-only and Combined Platform Solutions suppliers as competitors of FNZ and GBST.
39. The evidence also consistently shows that Bravura - a Software-only supplier - is a close alternative (on its own or in partnership with servicing suppliers) to FNZ, a Combined Platform Solutions supplier, which supports our provisional view that both delivery models should be part of the same product market.
40. We found that some Investment Platforms prefer one delivery model over another, but this would not protect other customers that would suffer more from any reduction of competition between FNZ and GBST given that suppliers can tailor their terms by customer.

In-house provision of Platform Solutions

41. In relation to in-house provision of Platform Solutions, we found that Retail Platforms consider developing software in-house to be difficult and unattractive but are more open to the servicing component being supplied in-house. We therefore provisionally concluded that the relevant product market should include the supply of servicing in-house but exclude the in-house supply of software.

Provisional conclusion on the product market

42. On the basis of the findings set out above, we provisionally concluded that the relevant product market for examining the effects of this Merger is the supply of Retail Platform Solutions, excluding the in-house supply of software.

Geographic market

43. We found that suppliers of Retail Platform Solutions must ensure that their products meet specific and complex tax and regulatory requirements in the UK and in other countries. As a result of needing to understand and adapt to these complex and specific requirements and the importance the evidence shows that customers place on experience and reputation in serving customers in a particular jurisdiction, Retail Platform Solutions providers cannot easily and quickly enter into a new country.
44. Accordingly, we concluded that the relevant geographic market for the supply of Retail Platform Solutions is the UK.

Provisional conclusion on market definition

45. Based on the findings set out above, we provisionally concluded that the relevant market for examining the effects of this Merger is the supply of Retail Platform Solutions in the UK excluding the in-house supply of software (Retail Platform Solutions in the UK).
46. However, we do not consider that market definition is a determinative part of our competitive assessment and we took into account in our competition assessment differences in delivery models and out-of-market constraints including from Non-Retail Platform Solutions suppliers and in-house software.
47. In response to FNZ's argument that we should consider a wider set of platforms in our analysis, we also considered whether our competition assessment, particularly with regard to shares of supply and tender analysis, would be affected in the event a wider set of Investment Platforms were considered to be Retail Platforms and, as such, as a sensitivity, these Investment Platforms and their suppliers of Platform Solutions were considered to be part of the relevant market.

The nature of competition

48. We assessed how competition operates in the supply of Retail Platform Solutions in the UK in terms of:
 - (a) the degree and ease of switching by customers;

- (b) the main parameters of competition; and
 - (c) the procurement processes and contractual mechanisms employed by customers.
49. We found that switching costs are high for Retail Platforms. Switching to a new supplier of Platform Solutions involves a complex, risky, lengthy and expensive migration from one system to another. Recent failures of such migrations have highlighted the risks for both customers and suppliers.
 50. As Platform Solutions are critical to enable a Retail Platform to effectively serve customers and satisfy regulatory obligations, Investment Platforms require a high degree of confidence in the capability of their chosen provider of Platform Solutions. Established suppliers with good track records therefore have a significant competitive advantage over others.
 51. Whilst customers only switch Platform Solutions providers infrequently, they use lengthy procurement processes, and the prospect of such processes, to maintain competitive tension and extract the best possible terms from incumbent or potential suppliers.
 52. Good track record, commitment to product development, product fit to the customer requirements and price are important parameters of competition in this market.

Competitive assessment

53. We have assessed whether the Merger would lead to a significant reduction in horizontal competition between the Parties in the supply of Retail Platform Solutions by removing a competitor which previously provided a significant competitive constraint. This could result in Retail Platforms facing higher costs or a lower quality of service in future. Ultimately, these higher costs and deterioration in quality can adversely impact UK consumers that rely on Retail Platforms using Retail Platform Solutions.
54. In differentiated markets, horizontal unilateral effects are more likely where the merger parties are close competitors or where their products or services are close substitutes. The more closely the merger parties competed pre-merger, the greater the likelihood of unilateral effects.
55. Given the significant degree of differentiation in the provision of Retail Platform Solutions, we have particularly focused on assessing evidence of closeness of competition between the Parties and the extent to which there may be other remaining close competitors after the Merger who could continue to provide a competitive constraint on the Merged Entity.

Shares of supply

56. In differentiated bidding markets, such as the market for the supply of Retail Platform Solutions in the UK, shares of supply do not fully capture the closeness of competition between firms. Accordingly shares of supply have been given only limited weight in our competitive assessment.
57. We have estimated the Parties' shares of supply within the relevant market.² We have addressed the errors in the Phase 2 Report shares of supply estimates that led to the CMA's remittal request and considered additional FNZ submissions and third party evidence.
58. Our analysis shows that FNZ is currently the third largest and GBST the fourth largest provider of Retail Platform Solutions in the UK. The Merged Entity would be the largest provider, followed by TCS BaNCS (a highly differentiated supplier) and Bravura. Our sensitivity analysis (including a wider set of Investment Platforms, and their suppliers) shows broadly similar results (although FNZ is the largest supplier according to these estimates).

Closeness of competition

59. As explained in paragraph 55, we have relied to a greater extent in our assessment on whether the Parties are close competitors than on shares of supply.
60. In order to assess the closeness of competition between the Parties, we considered evidence from third parties, recent tenders, and the Parties' internal documents. All this evidence points in the direction that the Parties are currently close competitors in the supply of Retail Platform Solutions.

Third parties

61. Most third parties considered FNZ and GBST to be close competitors to each other. In general, only Bravura was seen by third parties to be as close a competitor to each of the Parties as they are to each other. This was evident in scores provided by third parties to indicate the closeness of certain suppliers' offerings, and in qualitative evidence provided by third parties on the closeness of the Parties' offering.

² On the basis of assets under administration.

Tenders

62. We looked at tender data over five years and considered the analysis over the full period to be probative of closeness of competition because tendering is infrequent and contract awards are long-term, and there is no evidence of material changes to competitive conditions over this period.
63. In tenders to provide Retail Platform Solutions since 2016, FNZ (or JHC, which is now part of FNZ) and GBST have overlapped in a significant number of the tenders in which they have participated, and a material proportion of these overlaps were at a late stage. This was a significantly more frequent rate of overlap than with any other competitor, except Bravura.
64. We found that there have been significant competitive interactions between the Parties in more recent years, in particular if we assess the tender analysis in the context of evidence from third parties and internal documents indicating that GBST may have been adversely impacted by the Merger and that some tender processes may have been disrupted by the Coronavirus pandemic.
65. Our sensitivity analysis (including tenders for the wider set of Investment Platforms) shows broadly similar tender results.

Internal documents

66. We have assessed internal documents from each Party, and found, overall, that, to the extent that they provide insight into competitive conditions, they characterise FNZ and GBST as two of a limited number of significant suppliers of Retail Platform Solutions.
67. GBST's internal documents also show that competition from FNZ is a key driver of its product development. While we did not find similar internal documentary evidence relating to GBST having influence on FNZ's product development, we found that product development is driven by customer requirements and the loss of GBST as an alternative supplier would result in a reduction in competitive tension.

Competitive constraints from other suppliers

68. Having found that the Parties are close competitors, we assessed the competitive constraint from other suppliers of Platform Solutions that would remain post-Merger, including suppliers of Non-Retail Platform Solutions as possible out of market constraints.
69. Bravura was identified as the closest alternative to each of the Parties across all our sources of evidence. Third parties told us that Bravura is a close

competitor to FNZ and, in particular, GBST, and our tender analysis also shows that Bravura is a close competitor to each of the Parties. This indicates that Bravura is likely to remain a close competitor to the Parties post-Merger.

70. We found based on evidence from third parties, tender data and internal documents that the other competitors to FNZ and GBST (including suppliers of Retail Platform Solutions and Non-Retail Platform Solutions) would not (individually or collectively) impose a significant competitive constraint on the Merged Entity:
- (a) SS&C has a restricted offering and it has gaps in its product capability. Its only material customer relationship is with St. James's Place, [REDACTED]. FNZ submitted that SS&C is a strong competitor and 'on the up'. Whilst SS&C [REDACTED].
 - (b) SEI was also viewed by third parties as having a restricted offering, using older technology than the Parties and with limited scale in the UK. While [REDACTED].
 - (c) Despite TCS BaNCS' high share of supply, the third-party and tender evidence indicates that it is not a close competitor to either FNZ or GBST given the differentiated nature of the supply of Platform Solutions in respect of legacy products. TCS BaNCS did not [REDACTED] and was mentioned (unprompted) as a potential competitor to the Parties by only two out of 30 customers.
 - (d) Although there is a long tail of providers who overlapped at least once with the Parties in tenders, individually or collectively these would not create a significant constraint on the Merged Entity at least for those customers for whom the Parties are currently close competitors.
71. As the Merger will remove the rivalry between GBST and FNZ, we currently consider that it is likely to result in negative outcomes for Retail Platforms in terms of price and quality of service. Any customers of Retail Platform Solutions (including potentially future customers, such as those that currently use in-house supply) are likely to be adversely affected by the Merger. Retail Platforms that consider the Parties to be close alternatives are more likely to be affected. However, even GBST customers with a strong preference for GBST's Software-only model are likely to be affected by the Merger because of the loss of competition between FNZ and GBST in relation to product development.
72. End consumers using the Retail Platforms affected by the Merger can also experience a degradation in the terms of the offering they receive from their

Retail Platforms, either in terms of the price, service or quality of the Platform Solutions supplied.

Provisional findings on SLC

73. We provisionally concluded that, subject to our findings on countervailing factors, the Merger has resulted, or may be expected to result, in an SLC in the market for the supply of Retail Platform Solutions in the UK.
74. For the reasons set out above and more fully in the Report, Retail Platforms are likely to be adversely affected in terms of price and quality of service by the loss of competition brought by the Merger. End consumers using the Retail Platforms affected by the Merger can also experience a degradation in the terms of the offering they receive from these Retail Platforms.

Countervailing factors

75. We provisionally concluded that there are no countervailing factors that would mitigate the adverse effects of the Merger on competition.

Entry and expansion

76. We found that potential entry from suppliers of Non-Retail Platform Solutions is unlikely, based on evidence from those suppliers. We found some evidence of expansion by smaller firms in recent years. However, this expansion has been limited in nature and would not, either individually or collectively, be of sufficient scale to constrain the Merged Entity and protect customers from the SLC. We, therefore, provisionally concluded that entry or expansion would not be timely, likely and sufficient to outweigh the SLC.

Buyer power

77. We found that customers can generate competitive tension through their tender processes and that larger customers may have more bargaining power than smaller customers. However, we found this does not equate to countervailing buyer power over the Merged Entity for the following reasons:
- (a) Retail Platform customers face a limited choice of credible providers of Retail Platform Solutions. After the Merger, such customers will have lost one of the few major providers who could credibly provide an alternative to FNZ and other providers of Retail Platform Solutions, and consequently will have reduced negotiating leverage with their suppliers.

- (b) The risks and costs involved in switching providers of Retail Platform Solutions puts customers in a weak bargaining position.
- (c) Any leverage that some customers may have (eg due to their size) would not protect other customers because commercial terms vary with each customer.

78. Therefore, we currently consider that the Merged Entity is unlikely to be prevented from worsening their offer by their customers' negotiating strength, post-Merger.

Provisional conclusion

79. For the reasons summarised below and considering all the evidence in the round, we provisionally found that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the supply of Retail Platform Solutions in the UK.

Remedies

80. Having provisionally found that the Merger has resulted, or may be expected to result, in an SLC, we are required by the Act to decide what, if any, action should be taken to remedy, mitigate or prevent that SLC or any adverse effect resulting from the SLC.
81. In the Phase 2 Report, we found that requiring FNZ to sell the entire GBST business was the only action that would properly address the SLC that we expected to result from the Merger.
82. Following the Remittal Inquiry, and considering the further representations provided by the Parties, we found that: (i) the full divestiture of GBST is an effective remedy and (ii) the full divestiture of GBST but with a right for FNZ to buy back certain assets of GBST's Capital Market business (divestiture with the right to buy back certain assets) is also an effective remedy, subject to certain safeguards to minimise any impact on the ongoing competitiveness of GBST's supply of Retail Platform Solutions and any disruption to GBST's Retail Platform customers.
83. As set out in more detail in our Remedies Paper, these safeguards relate, but are not limited to:
- (a) the minimum and maximum perimeter of the assets that FNZ will be entitled to buy back;

- (b) the transaction structure (full divestiture with the right to buy back assets);
and
 - (c) the support that will be provided to GBST for the implementation of the separation and the limits to the support that GBST will be required to provide to implement the buy-back.
84. A divestiture with the right to buy back certain assets is, overall, less onerous than the full divestment of GBST, and is, accordingly, a more proportionate remedy.
85. While we have provisionally found that a divestiture with the right to buy back certain assets is an effective and proportionate remedy to the SLC and its resulting adverse effects, we are actively considering whether there are any remaining risks associated with this remedy and, if so, whether and how these risks can potentially be managed through additional safeguards.

Provisional findings

1. The remittal

- 1.1 On 8 April 2020, the Competition and Markets Authority (CMA), in exercise of its duty under section 22 of the Enterprise Act 2002 (the Act) referred the completed acquisition (the Merger) by Kiwi Holdco CayCo, Ltd (KHC), FNZ (Australia) Bidco Pty Ltd (FNZ (Australia)), FNZ (UK) Ltd (FNZ UK) (together FNZ) through its subsidiary FNZ (Australia) of GBST Holdings Limited (GBST) (together known as the Parties) for further investigation and report by a group of CMA panel members (Phase 2 Inquiry).
- 1.2 On 5 November 2020, the CMA announced its decision that the completed acquisition by FNZ of GBST has resulted or may be expected to result, in a substantial lessening of competition (SLC) as a result of horizontal unilateral effects, in the supply of Retail Platform Solutions in the UK (Phase 2 Report).³
- 1.3 On 2 December 2020, FNZ submitted a Notice of Application (NoA) to challenge certain of the CMA's findings in the Phase 2 Report to the Competition Appeal Tribunal (CAT).
- 1.4 On 21 January 2021, the CAT, following the CMA's request, ordered the remittal of the CMA's Phase 2 Decision to the CMA in respect of the finding of a SLC (paragraph 10.2 of the CMA's Phase 2 Report) and the decision as to remedy (paragraph 11.379 of the CMA's Phase 2 Report).
- 1.5 Following the remittal by the CAT, a group of CMA panel members was appointed on 25 January 2021 to further investigate and report on the Merger (Remittal Group).
- 1.6 The starting point for the remittal has been the Phase 2 Report. In the remittal, the CMA has addressed specific errors in relation to market share data that led to the CMA requesting the remittal. The CMA has also considered the other representations made by FNZ in the four grounds of review advanced in the NoA, alongside submissions and evidence from the Parties and third parties on other relevant issues for its decision in the remittal (Remittal Inquiry).
- 1.7 In exercise of its duty under section 35(1) of the Act, the CMA must decide in the remittal:

³ Completed acquisition by FNZ of GBST, Phase 2 Report, 5 November 2020.

- (a) whether a relevant merger situation has been created; and
- (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a SLC within any market or markets in the United Kingdom for goods or services.

- 1.8 We are aiming to publish our final report by the end of May 2021.
- 1.9 Appendix A sets out the CMA's approach to the conduct of the remittal process, particularly with regard to scope of the remittal, information-gathering and consultation.
- 1.10 This document, together with its appendices, constitutes the Inquiry Group's provisional findings published and notified to FNZ and GBST in line with the CMA's rules of procedure.⁴
- 1.11 Further information can be found on our [webpage](#).

2. The Parties, the Merger and its rationale

- 2.1 This Chapter sets out the background to the completed acquisition by FNZ of GBST, including details of the transaction and the rationale for the Merger.
- 2.2 The CMA has not received further evidence in relation to the matters covered in this Chapter during the remittal and no material changes have been made to the equivalent Chapter in the Phase 2 Report.

FNZ

Background

- 2.3 FNZ is a global wealth management technology and investment administration services firm, established in 2003 and headquartered in the UK since 2005.^{5,6}
- 2.4 The FNZ group is made up of a number of wholly owned subsidiaries. One of these, FNZ (Australia) Bidco Pty Ltd, acquired GBST. FNZ (UK) Limited is a wholly owned subsidiary of Kiwi UK Holdco 2 Limited. The ultimate parent company is Falcon Newco Limited,⁷ with the ultimate controlling party being

⁴ [Rules of procedure for merger, market and special reference groups \(CMA17\)](#), paragraphs 11.1 to 11.7.

⁵ FNZ submitted that each of Caisse de dépôt et placement du Québec (CDPQ) and Generation Investment Management LLP (GIM) [REDACTED]. Neither CDQP nor GIM have any overlapping activities with GBST in the UK (except via FNZ).

⁶ [REDACTED].

⁷ [REDACTED].

Kiwi Holdco CayCo. These latter three entities are all exempted limited companies formed under the laws of the Cayman Islands.⁸

- 2.5 FNZ is active in the supply of technology solutions in the UK, including software to support pension and investment administration and software to support trade settlement and clearing services, as well as transaction processing and custody services. These solutions enable its customers to provide investment management platforms, either directly to consumers or via financial advisers and employers.
- 2.6 FNZ provides Platform Solutions using a Combined Platform Solutions model, under which it combines servicing and software. Under this model, FNZ takes responsibility for delivery of services to the customer's internal and external-facing functions.
- 2.7 FNZ offers a number of products and its 'core service proposition to its customers is outsourced retail investment transaction and asset custody (ie supporting investment products that can be provided to retail investors as defined by the FCA's Conduct of Business rules), with technology being a necessary component of this service'. In the UK, FNZ's core PaaS deployments for each customer will typically involve an installation of a customer specific instance of FNZ One⁹ and the FNZ X-Hub.¹⁰
- 2.8 In August 2019, FNZ acquired JHC Systems Limited (JHC), a technology supplier offering software solutions to wealth managers and platform providers, principally in the UK.¹¹ One of JHC's products is JHC Figaro: a wealth management technology for account administration, trading, regulatory compliance and resource optimisation.

Financial information

- 2.9 In the financial year ending 31 December 2019, FNZ had UK turnover of £172 million.¹² In 2018, [X] % of its revenue was generated in the UK.
- 2.10 FNZ profits increased by 150% to £28 million in 2019. FNZ did not attribute this increase to any specific factor, but noted its efforts to continue to 'invest in enhancing automation of the control and operations (asset servicing)

⁸ FNZ (UK) Ltd Financial statements 2019, at Companies House.

⁹ FNZ One is a retail client, investment account and portfolio management service for a range of asset types including funds, equities, bonds, and cash.

¹⁰ FNZ X-Hub is a discretionary investment management service that optimises managed investment solutions to the specific and individual requirements of UK consumers.

¹¹ JHC's established software solutions include JHC Figaro, JHC Neon, JHC Xenon and JHC Digitize (a consultancy service).

¹² FNZ (UK) Ltd Financial Statements 2019, at Companies House.

environment to further mitigate operating risks as the Company continues to add scale'.¹³

2.11 Table 2.1 below shows FNZ's UK revenue and profits from 2014 to 2019.

Table 2.1: FNZ UK¹⁴: revenue and profits 2014 to 2019¹⁵

	2014	2015	2016	2017	2018	2019
Revenue	56,646	72,459	94,748	107,613	126,822	172,376
Profit for the year	1,623	12,500	28,793	20,314	11,098	27,790

Source: FNZ UK Financial Statements, publicly available at Companies House.

2.12 JHC's revenue in the financial year ended in 31 December 2019 was £22.7m.¹⁶

GBST

Background

2.13 GBST Holdings Limited (GBST), is a company headquartered in Australia which was listed on the Australian Stock Exchange (ASX) before being acquired by FNZ. GBST is a financial technology company which provides software to support pension administration, wealth management and stockbroking.

2.14 In the UK, GBST operates through four entities, GBST Ltd, GBST Hosting Ltd, GBST Wealth Management Ltd and GBST UK Holdings Limited. GBST UK Holdings Limited is the immediate parent company of GBST Wealth Management Ltd and GBST Hosting Ltd. GBST Holdings Ltd (an Australian entity) is the immediate parent company of GBST Ltd. GBST also has subsidiaries in Australia, Hong Kong, Singapore and the United States of America.¹⁷

2.15 In the UK, GBST is active in the supply of software to investment management platforms to support pension and investment administration, and of software to support trade settlement and clearing services.

¹³ FNZ (UK) Ltd Financial Statements 2019, page 3, Strategic Report for the year ended 31 December 2019.

¹⁴ No audited accounts for the financial year ended 31 December 2020 have been submitted to Companies House at the date of publication of the Provisional Report.

¹⁵ FNZ UK accounts in the table do not integrate JHC revenues and profits. JHC was acquired in August 2019.

¹⁶ FNZ (UK) Ltd Financial statements 2019, at Companies House.

¹⁷ GBST 2019 Annual Report.

2.16 GBST does not provide Combined Platform Solutions but formed a partnership with services provider Equiniti in 2018 in order to provide Combined Platform Solutions to Retail Platforms. At the time of the Merger, [REDACTED].

Financial information

2.17 In the year ending 30 June 2019¹⁸, GBST had worldwide turnover of £52.1 million, of which £[REDACTED] million ([REDACTED]%) was generated in the UK. The GBST 2019 full year accounts show a growth in revenue of 7%, a marginal increase in EBITDA¹⁹, before a major strategic R&D programme.²⁰

The rationale for the Merger

FNZ rationale

2.18 FNZ submitted that the main strategic rationale for the Merger is to grow [REDACTED].

2.19 FNZ also submitted that, in the UK, the Merger will give GBST's customers the opportunity to substantially lower their cost structure by transitioning from an on-site software model to a Combined Platform Solutions model.

2.20 FNZ submitted that, while it intends to retain and invest in GBST's core Composer software, the offer to transfer from software to outsourced services (Combined Platform Solutions) would be made available to all of GBST's current customers. FNZ stated that it will invest 'AUD\$[REDACTED] into genuine R&D that will lead to enhanced functionality and better outcomes for customers'.²¹ FNZ stated this was [REDACTED].²²

2.21 FNZ went on to specify that the AUD\$[REDACTED] budget would be used to:²³

- (a) integrate complementary FNZ functionality into GBST's existing Composer platform, so that customer's benefit from a wider range of functionality;
- (b) add enhanced functionality to GBST's existing Composer platform to meet customer requirements;

¹⁸ No audited accounts for the financial year ended 30 June 2020 have been submitted to Companies House at the date of publication of the Provisional Report.

¹⁹ EBITDA is earnings before interest, tax, depreciation and amortisation

²⁰ GBST 2019 Annual Report.

²¹ FNZ Initial phase 2 Submission, 29 April 2020, paragraph 8.1.

²² FNZ Initial phase 2 Submission, 29 April 2020, paragraph 8.2.

²³ FNZ Initial phase 2 Submission, 29 April 2020, paragraph 8.3.

- (c) enable the optional transition from on-premise software to software as a service (SaaS), which has widespread support from a number of GBST's UK customers; and
 - (d) complete [REDACTED], as contemplated in the Evolve programme, albeit more incrementally than proposed by GBST, so as to [REDACTED].
- 2.22 FNZ internal documents broadly support the rationale which FNZ submitted to us:
- (a) FNZ documents noted that (GBST's) [REDACTED]. It also noted that [REDACTED].
 - (b) FNZ stated that there would be a [REDACTED] and said: [REDACTED].
- 2.23 FNZ documents also set out expected cost synergies, noting [REDACTED] and [REDACTED] as the main contributors to this.
- 2.24 In our view, this evidence indicates that FNZ intended to [REDACTED]. We discuss the impact of FNZ's plans for investment in GBST [REDACTED] further in Chapter 8.

GBST rationale

- 2.25 GBST had not been contemplating the sale of the business before it received an unsolicited bid from Bravura in April 2019. This started a bidding process, including bids from SS&C and FNZ, which ultimately resulted in FNZ's acquisition of GBST.

The transaction

- 2.26 On 5 November 2019, FNZ acquired, via its indirectly wholly owned subsidiary, FNZ (Australia) Bidco Pty Ltd, the whole issued share capital of GBST.
- 2.27 The Merger was structured via a scheme of arrangement (the 'Scheme') in which all GBST shares were transferred to FNZ Australia (Bidco) Pty Ltd. The binding Scheme Implementation Deed between GBST and Kiwi HoldCo CayCo, Ltd was entered into on the 29 July 2019. Implementation was subject to conditions including obtaining votes from a majority of GBST shareholders in favour and court approval. The Scheme was approved by GBST shareholders on 14 October 2019 and by the Supreme Court of New South Wales on 18 October 2019.
- 2.28 The consideration paid for the share capital of GBST was agreed as 'approximately AUD\$268.1 million, reflecting a price of AUD\$3.85 per share,

of which AUD\$0.35 per share took the form of a special dividend paid by GBST'

- 2.29 Prior to FNZ's acquisition, GBST had been engaging in negotiations with two other parties regarding its potential sale. GBST received bids from Bravura Solutions ('Bravura') and SS&C Technologies ('SS&C').
- 2.30 In April 2019, Bravura made an initial, unsolicited bid for GBST, after which SS&C and FNZ entered the bidding process. Figure 2.1 below shows a timeline of the bids received by GBST from Bravura, SS&C and FNZ, resulting in the final, binding, offer from FNZ on 29 July 2019.

Figure 2.1: Timeline of proposals for GBST, 2019.

Initial Bravura offer: A\$2.5	Updated Bravura offer A\$2.72	Bravura final offer A\$3	SS&C offer A\$3.25	SS&C updated offer A\$3.60	Updated FNZ offer A\$4	Updated FNZ offer A\$3.90	AUD\$			
12 April >	19 June >	27 June >	28 June >	1 July >	2 July >	5 July >	24 July >	25 July >	26 July >	29 July
			FNZ initial offer A\$3.15	Updated FNZ offer A\$3.50	Updated FNZ offer A\$3.65	Updated FNZ offer A\$3.95				FNZ entered into binding offer A\$3.85

Source: CMA analysis

Evidence from FNZ

- 2.31 FNZ has submitted that the following were the main events leading up to its final offer for GBST:
- Following Bravura's updated offer on 19 June, the GBST Board and its advisers agreed to conduct a confidential tender process and invited selected parties to submit non-binding indicative proposals.
 - On 26 June, GBST communicated a range of key criteria for proposals to interested parties in the GBST tender process (the 'GBST Tender Process Participants'). Those parties were invited to submit non-binding indicative proposals by 3 July.
 - Following Bravura's offer on 27 June, parties were contacted and encouraged to submit proposals by 28 June.
 - On 28 June, both SS&C and FNZ expressed a confidential and non-binding interest in acquiring GBST.

- (e) Following receipt of both proposals, GBST announced on 28 June that the Board had decided not to enter into further discussions with Bravura given the other offers received were higher than Bravura's.
- (f) On 1 July, GBST announced that SS&C had secured exclusive due diligence in connection with its proposal. FNZ then submitted its second bid.
- (g) On 2 July, SS&C submitted an updated indicative proposal.
- (h) On 5 July, during the period that SS&C had secured exclusive due diligence with GBST, FNZ submitted its third indicative proposal.
- (i) Between 24 and 29 July FNZ submitted four further proposals, of decreasing value.
- (j) On 29 July GBST announced that GBST and FNZ had entered into a binding Scheme Implementation Deed for 100% of the shares in GBST. The Scheme was not subject to financing or due diligence.

2.32 FNZ told us that the [REDACTED] and that the [REDACTED] can be explained due to [REDACTED] of GBST, and that investment was needed in it and some [REDACTED].

2.33 Internal documents show that FNZ valued GBST [REDACTED].²⁴

- (a) The [REDACTED] analysis showed that GBST had a market capitalisation of [REDACTED].
- (b) [REDACTED].
- (c) [REDACTED].

2.34 [REDACTED].

2.35 FNZ's final, accepted offer of AUD\$3.85 was [REDACTED].

GBST valuations

2.36 A valuation of GBST [REDACTED].

2.37 We note that this is [REDACTED].

²⁴ [REDACTED].

2.38 A separate, sum-of-the-parts valuation²⁵ [X]. [X] the final offer price of AUD\$3.85.

3. Relevant merger situation

3.1 In accordance with section 35 of the Act and pursuant to our terms of reference (see Appendix A), we are required to investigate and report on two statutory questions:

(a) whether a relevant merger situation (RMS) has been created; and

(b) if so, whether the creation of that situation may be expected to result in an SLC in any market or markets in the UK for goods or services.

3.2 We address the first of the statutory questions in this Chapter.

3.3 The CMA has not received further evidence in relation to the matters covered in this Chapter during the remittal and no material changes have been made to the equivalent Chapter in the Phase 2 Report.

Enterprises ceasing to be distinct

3.4 An RMS will be created if, as a result of the Merger, two or more enterprises cease to be distinct within the statutory period for reference and the turnover test and/or the share of supply test is satisfied.²⁶

3.5 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.²⁷ A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.²⁸

3.6 Both FNZ and GBST are active in the supply of software and/or servicing to Investment Platforms with a mainstream retail proposition in the UK (Retail Platform Solutions). We are satisfied that FNZ and GBST is each a ‘business’ within the meaning of the Act and their activities are ‘enterprises’ for the purposes of the Act.

²⁵ The sum-of-the-parts valuation is a process of valuing a company by determining what its aggregate divisions would be worth if they were spun off or acquired by another company. They are the summed to arrive at a single total enterprise value. Finally, the equity value is derived by adjusting for the company’s net debt and other non-operating assets and expenses.

²⁶ Section 23 of the Act.

²⁷ Section 129(1) of the Act.

²⁸ Sections 129(1) and (3) of the Act.

- 3.7 The Act provides that enterprises cease to be distinct if they are brought under common ownership or common control.²⁹ FNZ, through a wholly owned subsidiary, acquired the entire issued share capital of GBST. Both enterprises are under the common ownership and control of FNZ. We are therefore satisfied the enterprises carried on by FNZ and GBST have ‘ceased to be distinct’ for the purposes of the Act.
- 3.8 The enterprises must have ceased to be distinct within either not more than four months before the date on which the reference is made or, where the merger took place without having been made public and without the CMA being informed of it, four months from the earlier of the time that material facts are made public or the time the CMA is told of material facts.³⁰ The four-month period may be extended under section 25 of the Act.
- 3.9 The Merger completed on 5 November 2019 and was made public on the same date. Following two extensions, the statutory deadline was 14 April 2020.³¹ The reference was made on 8 April 2020. We are satisfied that the enterprises ceased to be distinct within the four-month period allowed by the Act.
- 3.10 The second element of the RMS test seeks to establish a sufficient nexus within the UK on a turnover and/or share of supply basis.
- 3.11 The turnover test is satisfied where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million. The turnover of GBST in the UK in its last financial year prior to the Merger was £[20-30] million, so the turnover test is not met.
- 3.12 The share of supply test is satisfied where, as a result of enterprises ceasing to be distinct, a share of supply of goods or services in the UK, or a substantial part of the UK, of at least 25% is created or enhanced.³²
- 3.13 The Parties overlap in the supply of Retail Platform Solutions in the UK namely, software and/or servicing to Investment Platforms with a mainstream retail proposition. This broad description encompasses the services offered by the Parties.
- 3.14 FNZ disputed this characterisation of the market, preferring a broad description of wealth management Platform Solutions which included a broader range of customers. We discuss this further in Chapter 6, Market

²⁹ Section 26 of the Act.

³⁰ Section 24 of the Act.

³¹ There were two extensions in Phase 1. On 14 January 2020 the four-month period was extended to 2 April 2020 and on 10 February 2020 the four-month period was extended to 14 April 2020.

³² Sections 23(2), (3) and (4) of the Act.

Definition. For the purposes of establishing jurisdiction, the Act provides us with a wide discretion in describing the relevant goods or services. We are not required to undertake a substantive economic assessment but are required to have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met.³³

- 3.15 The description of goods or services identified for the purposes of the share of supply test does not have to correspond with the economic market definition adopted for the purposes of determining the SLC question. We will have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met. Importantly however, the Parties must together supply or acquire the same category of goods or services.

Views of the Parties

- 3.16 FNZ submitted that the share of supply test, based on ‘the narrowest plausible product market of wealth management platform solutions in the UK on the basis of recurring revenue,’ was not met but was met on an estimated combined share of supply of wealth management platform solutions for advised platforms in the UK on an assets under administration (AUA) basis. FNZ also submitted that the test was met on a combined share of supply of Platform Solutions to customers excluding private banks in the UK on an AUA-basis.
- 3.17 FNZ submitted that estimating shares of supply on an AUA-basis would lead to the shares of software-only suppliers being likely to be ‘overstated as a result of double counting’. FNZ submitted that estimated shares of recurring revenue would provide a more reliable indicator of shares of supply. However, it provided its own estimates based on available AUA.
- 3.18 FNZ made no further submissions on shares of supply in relation to the RMS.

Our assessment

- 3.19 The Act provides us with wide discretion in describing the relevant goods or services for the purposes of determining share of supply. We are not required to undertake a substantive economic assessment but are required to have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met.

³³ [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 4.56

- 3.20 Both Parties are active in the supply of Platform Solutions to Retail Platforms, namely, software and/or servicing to Investment Platforms with a mainstream retail proposition. We considered that, for the purposes of establishing jurisdiction, it is reasonable to adopt the description of Retail Platform Solutions as the basis on which to determine share of supply as this is a broad description which encompasses the services offered by the Parties.
- 3.21 We considered the supply of Retail Platform Solutions on an AUA basis as a reasonable and appropriate measure for the purposes of the RMS test. We did not receive any submissions contesting AUA as a reasonable basis on which to calculate share of supply for determining if an RMS has been created.
- 3.22 The Parties overlap in the supply of Retail Platform Solutions to Retail Platforms in the UK. We found that, as a result of the Merger, the combined share of the supply of the Parties, on the basis of AUA is [30-40%], with the Merger accounting for an increment of [10-20%] and that the share of supply test in section 23 of the Act is met.

Conclusion on the relevant merger situation

- 3.23 In the light of the above, we currently consider that the Merger has resulted in the creation of an RMS. As a result, we must consider whether the creation of that situation may be expected to result in an SLC within any market or markets in the UK for goods or services.

4. Industry background

- 4.1 In this Chapter, we briefly provide some background information about the industry.
- 4.2 The CMA has not received further evidence in relation to the matters covered in this Chapter during the remittal and no material changes have been made to the equivalent Chapter in the Phase 2 Report.
- 4.3 The Parties are both active in the UK in the supply of Platform Solutions to Investment Platforms.
- 4.4 Investment Platforms enable consumers and their advisers to invest in a range of financial products, including tax wrappers such as Individual Savings Accounts (ISAs) and Self Invested Personal Pensions (SIPPs).³⁴

³⁴ A tax wrapper is a tax treatment that an investor can 'wrap' around their investment.

- 4.5 Platforms are used to invest money in a range of products, including funds, shares, bonds, structured products and other securities, from different asset managers and hold them together in one account. They typically offer a range of services, which enable the investor or intermediary to see and analyse an overall portfolio of investments.
- 4.6 Providers of Investment Platforms include banks, insurers, asset managers and wealth managers.
- 4.7 All Investment Platform operators need to combine the two components of a Platform Solution – software and servicing. The Parties submitted that platform software and investment transaction and custody services are two of the elements of a Platform Solution that may be outsourced by Investment Platform operators.
- 4.8 Platform Solutions usually serve both front and back office: front office services are customer-facing, such as websites and reporting; back office services are non-customer facing.
- 4.9 Platform Solutions may have a range of delivery models, including:
- (a) a software-only Platform Solution sourced from a third party which the customer combines with in-house servicing or servicing from another third party;
 - (b) a Combined Platform Solution, including both software and servicing. Generally provided by one supplier or from separate third party software and servicing providers; or
 - (c) software and servicing provided in-house (an in-house solution).
- 4.10 Some Platform Solutions providers, such as those offering custody services, are regulated in the UK by the Financial Conduct Authority (FCA). FNZ offers a Combined Platform Solution which includes transaction processing and asset custody which require it to be regulated by the FCA. The solutions provided by GBST do not require it to be regulated.
- 4.11 As explained in more detail in Chapters 7 and 8, the supply of Retail Platform Solutions to Retail Platforms is a differentiated bidding market characterised by infrequent switching:
- (a) switching costs are high and switching supplier involves a complex, risky, lengthy and expensive migration;
 - (b) customers use lengthy procurement processes, which occur relatively infrequently; and

- (c) investment Platforms require a high degree of confidence in the capability of their chosen supplier, which generally confers a material competitive advantage to established suppliers with good track-records.

5. The counterfactual

Introduction

- 5.1 The counterfactual is an analytical tool used to help answer the question whether a merger has resulted or may be expected to result in an SLC.³⁵ It does this by providing the basis for a comparison of the competitive situation in the market with the merger against the likely future competitive situation in the market absent the merger.³⁶
- 5.2 The choice of counterfactual requires a judgement on the likely situation in the absence of the merger. We may examine several possible scenarios, one of which may be the continuation of the pre-merger situation. Where there is more than one possible alternative scenario, we will select the situation most likely to have existed absent the merger.³⁷
- 5.3 When we consider that the choice between two or more scenarios will make a material difference to the competitive assessment, we will carry out additional detailed investigation before reaching a conclusion on the appropriate counterfactual.³⁸
- 5.4 We incorporate into the counterfactual only those aspects of scenarios that appear likely based on the facts available to us and the extent of our ability to foresee future developments. The foreseeable period can sometimes be relatively short. However, even if an event or its consequences are not sufficiently certain to be included in the counterfactual, we may consider it in the context of the competitive assessment. We seek to avoid importing into the assessment of the appropriate counterfactual any spurious claims to accurate prediction or foresight. Given that the counterfactual incorporates only those elements of scenarios that are foreseeable, it will not in general be necessary to make finely balanced judgements about what is and what is not included in the counterfactual.³⁹
- 5.5 Depending on the evidence, the choice of the counterfactual could be a situation which is either more or less competitive than the competitive

³⁵ CMA's Merger Assessment Guidelines, September 2010 (MAGs), paragraph 4.3.1

³⁶ MAGs, paragraphs 4.3.1 and 4.3.6.

³⁷ MAGs, paragraph 4.3.6.

³⁸ MAGs, paragraph 4.3.6.

³⁹ MAGs, paragraphs 4.3.2 and 4.3.6.

conditions prevailing at the time the merger occurred. Therefore, the selection of the appropriate counterfactual may increase or decrease the prospect of finding an SLC.⁴⁰

- 5.6 In reaching our provisional view on the appropriate counterfactual, we consider what future developments we foresee arising absent the merger based on the totality of the facts available to us. Insofar as future events or circumstances are not certain or foreseeable enough to include in the counterfactual, we analyse such events in the assessment of competitive effects.⁴¹

Our assessment

- 5.7 Prior to its acquisition by FNZ, GBST had been engaged in negotiations with two other parties regarding a potential sale and had received bids from Bravura and SS&C:
- (a) In April 2019, Bravura made an initial, unsolicited bid for the acquisition of GBST, after which SS&C and FNZ entered the bidding process.
 - (b) On 29 July 2019, GBST announced that GBST and FNZ had entered into a binding Scheme Implementation Deed for 100% of the shares in GBST⁴²
- 5.8 In assessing the counterfactual, we examined several possible scenarios in order to assess the most likely situation absent the Merger. We considered whether, taking account of the available evidence relating to the circumstances leading up to the Merger, GBST's competitive strength would have materially changed absent the Merger, whether an alternative purchaser would have acquired GBST, and the impact an alternative acquisition would have on our competitive assessment.

FNZ submissions

- 5.9 We note that FNZ and GBST hold different views on various matters relevant to our assessment of the Merger, including in relation to the appropriate counterfactual, the competitive assessment and the remedies that would be

⁴⁰ MAGs, paragraph 4.3.4.

⁴¹ MAGs, paragraph 4.3.2, footnote 39. The MAGs at footnote 39 give one such example of where this may happen, which states that: 'the OFT, in its competitive effects analysis, ... might have regard to facts that are insufficient for it to adopt a counterfactual other than the pre-merger conditions (for example, by taking account of the reduced competitive impact of a firm in financial difficulties even though the conditions of the exiting firm scenario are not met)'.

⁴² More detail about the bidding process is set out in Chapter 2, The Transaction.

effective and proportionate to address competition concerns. FNZ has told us that [✂].

- 5.10 We recognise that submissions from both Parties and from third parties may be influenced by commercial and other incentives. However, we consider that the submissions from both Parties are informed by senior executives with considerable industry experience, so they should be taken into account in our assessment.
- 5.11 More broadly, in the conduct of our inquiry we seek to corroborate all submissions and the weighting we give submissions is determined by the extent to which we are able to corroborate them. We considered carefully, and with due scepticism, the extent to which the evidence contained within each Party's submissions, and from third parties, supports their views and, where appropriate, we sought further evidence to enable us to form our own view. We reminded both Parties, as well as all third parties, that it is a criminal offence to knowingly or recklessly mislead us.
- 5.12 FNZ considers that, in the Phase 2 Report, the CMA reached an unreasonable determination of the counterfactual by (i) concluding that an SS&C acquisition of GBST was materially the same as the continued independence of GBST; (ii) not selecting an SS&C merger as the most likely counterfactual, and (iii) not addressing the likelihood and importance of a Bravura/GBST merger.⁴³ FNZ submitted that 'GBST had been engaging in negotiations with a number of other parties regarding a potential sale to one of them' and 'had received expressions of interest from a range of parties over an extended period of time,' including from both Bravura and SS&C. FNZ considers that 'there is no reasonable basis on which to conclude that, on the balance of probabilities, GBST would have remained independent';⁴⁴ and that the CMA failed to 'consider whether GBST would have continued to compete to the same extent, including as regards the extent of its investments in developing technologies and gaining new customers', if it had been acquired by SS&C.⁴⁵
- 5.13 FNZ considers that the most likely counterfactual is that SS&C would have acquired GBST⁴⁶ absent the transaction, because (quoting the CMA) 'SS&C

⁴³ NoA, paragraph 22.

⁴⁴ FNZ Remittal Submission, 9 March 2021, paragraph 2.2.

⁴⁵ NoA, paragraph 34.

⁴⁶ FNZ notes that a scenario in which there were competing bids for the target business is cited as one of 'the most notable examples of situations where the Authorities may use a counterfactual different from the prevailing conditions of competition' in the CMA's MAGs (see NoA, paragraph 38).

would have sought to conclude the acquisition of GBST⁴⁷ and in FNZ's view 'there was a clear desire on both sides to proceed with the deal (in the case of GBST, in the absence of a superior offer)'.⁴⁸ FNZ submitted that 'any 'residual uncertainty' around the completion of the acquisition should not be sufficient to displace the most likely counterfactual.⁴⁹

5.14 Assuming that SS&C's acquisition of GBST was likely, FNZ further submitted that:

(a) On the one hand, '[t]here is clear evidence to suggest that any lessening of competition by an SS&C acquisition would in fact be comparable to an FNZ acquisition',⁵⁰ 'it would be irrational to conclude that SS&C's constraint on GBST is so insignificant that it makes no difference to the competitive assessment but that an FNZ/GBST merger is liable to give rise to an SLC.'⁵¹ '[E]ven if the CMA considers that the constraint posed by SS&C is not strong, the evidence is clear that it is not *de minimis* such that the merger of SS&C and GBST would have had no impact in the market or be equivalent to GBST operating under independent ownership.'⁵²

(b) On the other hand, an SS&C/GBST merger would not result in a SLC because 'a large number of alternative providers would continue to supply the Retail and Borderline platforms (or both)⁵³ and 'like FNZ and GBST, SS&C and GBST are highly differentiated'.⁵⁴ SS&C and GBST are not close competitors.

5.15 FNZ submitted that 'an SS&C/GBST merger would produce a materially different market structure compared to the pre-merger conditions of competitions⁵⁵ and that 'if a SS&C/GBST merger would have resulted in a reduction in competition between these two firms (and, as a result, a reduction in competition in the market), that reduction in competition is critical to a determination of whether the FNZ/GBST merger would lead to an SLC'.⁵⁶

5.16 FNZ, therefore, considers that the FNZ/GBST transaction should be assessed by reference to its 'incremental competitive impact' relative to an SS&C/GBST

⁴⁷ FNZ further submitted that 'SS&C was well advanced in the purchase process' and 'ASX announcements noted that the GBST board was going to recommend SS&C proposal unanimously to its shareholders, in absence of a superior offer, see FNZ response to the phase 2 Provisional Findings, paragraph 2.1 (iv).

⁴⁸ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.7.

⁴⁹ FNZ response to the phase 2 Provisional Findings, paragraph 2.1 (iv).

⁵⁰ NoA, paragraph 37.

⁵¹ FNZ Remittal Submission, 9 March 2021, paragraph 2.6

⁵² FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.10.

⁵³ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.12.

⁵⁴ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.13.

⁵⁵ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.12.

⁵⁶ NoA, paragraph 35.

merger⁵⁷ and that using the pre-Merger conditions of competition as the counterfactual therefore ‘underestimates the existing competitive strength of SS&C’.

- 5.17 As an alternative, FNZ has also submitted that Bravura was a plausible alternative purchaser for GBST and that ‘the possibility that Bravura might have acquired GBST should have been considered in the FR as a potential counterfactual.’⁵⁸ FNZ has not specified what the implications of this counterfactual would be.
- 5.18 As another alternative counterfactual, FNZ submitted that [REDACTED]⁵⁹ and that ‘using pre-Merger conditions of competition as the counterfactual, critically, [REDACTED]. In particular, FNZ submitted that a ‘plausible alternative counterfactual is that [REDACTED] the GBST [REDACTED]’.⁶⁰ FNZ further noted that: (i) GBST’s [REDACTED];(ii) ‘GBST [REDACTED];⁶¹ and (iii) GBST’s [REDACTED].’

GBST submissions

- 5.19 GBST submitted that the pre-Merger conditions of competition are the most likely counterfactual to the Merger because:
- (a) GBST was in a strong and improving financial position in April 2019 when the bidding process commenced and there was no threat to its viability as an independent market participant;
 - (b) absent an acquisition (whether by FNZ or another bidder), the competitive strength of GBST in the UK market would not have reduced and, in reality, would be likely to have increased [...]; and
 - (c) if GBST had been acquired by SS&C, an integrated GBST/SS&C offering would have posed a strong competitive constraint on FNZ in the UK, allowing SS&C to offer clients both software-only/SaaS and PaaS models.
- 5.20 GBST further told us that:
- (a) The bidding process for GBST was a very rocky road spanning close to four months which effectively created a very public bidding war between three of GBST’s close competitors.’ It noted that ‘this competitive tension resulted in the best outcome for GBST’s shareholders’.

⁵⁷ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.14.

⁵⁸ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.16.

⁵⁹ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.18

⁶⁰ FNZ submitted that more recent evidence [REDACTED]. (see FNZ Initial Remittal Submission, paragraph 5.18).

⁶¹ FNZ Initial phase 2 Submission, paragraph 7.1.

- (b) 'Given that FNZ's offer represented a significant premium to the undisturbed share price prior to the first bid and had a high level of certainty of completion, the Board recommended that the shareholders vote in favour'.
- (c) 'At the time that FNZ made binding offers for GBST, SS&C had only made non-binding indicative bids and had not committed to proceeding with a binding offer. [...] This is in contrast to the binding offer at a superior price from FNZ, which provided certainty for shareholders and was therefore recommended by the Board.'

5.21 GBST's internal documents indicate that GBST had a strategy for growth and was planning significant investment in its technology, absent the Merger, in order to remain competitive. We found no evidence in GBST's internal documents indicating that it considered its viability as an independent market participant was uncertain.

Third party evidence

- 5.22 In order to assess whether an alternative purchaser would have acquired GBST absent the Merger, we sought evidence from Bravura and SS&C.
- 5.23 Bravura told us that its bid was prompted by GBST's falling share price on the Australian Stock Exchange. GBST's undisturbed share price⁶² was AUD\$1.97, and Bravura considered that the low share price made a potential acquisition attractive.
- 5.24 Bravura told us that it did not get feedback on its April 2019 offer and pulled out early in the bidding process because it was not prepared to pay more than its initial offer (a 20-30% premium on the share price). Further, Bravura told us that 'if FNZ and SS&C had not placed bids, then it thought that its bid would have been accepted'.
- 5.25 SS&C made two offers to acquire GBST. It told us that it was 'surprised and disappointed not to win the acquisition'.
- 5.26 SS&C told us that 'the valuation of GBST's business needed to reflect the need for a sustained modernisation of Composer' and that its indicative bid of AUD\$3.65 per share incorporated this investment requirement. It told us that a 'focus during the time that SS&C was preferred bidder (with access to the data-room) was justifying this indicative bid price in the context of the

⁶² The share price prior to any announcement.

investment spend necessary to make Composer fully competitive with Bravura's Sonata system'.

- 5.27 SS&C's internal documents show that the rationale for acquiring GBST was [REDACTED] and, [REDACTED].'

GBST's performance as an independent competitor

- 5.28 We considered FNZ's submission that, absent the Merger, GBST [REDACTED].⁶³ In doing so, we have, consistent with the CMA's guidance, sought to avoid importing into our assessment any 'spurious claims to accurate prediction or foresight'.⁶⁴
- 5.29 We note that GBST's publicly available results to 30 June 2019 (i.e. shortly prior to the Parties entering into a binding scheme implementation deed on 29 July 2019) show that: year-on-year revenues were up (7% on the previous year⁶⁵); operating EBITDA was up (53% on the previous year); cashflow from operations was up (135% on the previous year); R&D was progressing to plan; and that GBST had a 'strong' balance sheet that was debt-free.⁶⁶ We have seen no evidence in [REDACTED].⁶⁷
- 5.30 FNZ submitted that GBST's recent [REDACTED] show that its competitive position would have [REDACTED] absent the merger.⁶⁸ However, for the purposes of establishing the counterfactual, events that occurred after the Merger took place are less relevant in answering the question as to the competitive situation on the market absent the merger. This is because, even with interim measures in place, the performance of the acquired business may have been affected by the uncertainty and disruption associated with the merger and ongoing investigation. We would only consider such events if they are indicative of a pre-merger situation. We do not consider there to be any exceptional post-merger events to take into consideration in this case. Further, we have seen no evidence that GBST would have been unable to [REDACTED] absent the Merger.

⁶³ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.17.

⁶⁴ [MAGs](#), paragraph 4.3.6.

⁶⁵ Contemporaneous evidence at the time of the acquisition is the most relevant to our assessment of the counterfactual.

⁶⁶ [GBST ASX Announcement](#), FY19 Results, page 1.

⁶⁷ For the purposes of the counterfactual, events after the Parties entered into a binding scheme implementation deed on 29 July 2019 are less relevant in answering the question as to the competitive situation on the market absent the merger, as the merger has taken place at this point. The exception would be where post-merger events or conditions are indicative of a pre-merger situation. We do not consider there to be any exceptional post-merger situations to take into consideration in this case.

⁶⁸ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.18.

5.31 We therefore consider that the available evidence in relation to GBST's pre-merger financial performance and the evidence considered as part of our competitive assessment does not support the conclusion that GBST's competitive presence absent the Merger would be sufficiently different to its pre-Merger performance to make a material difference to our competitive assessment.

The potential acquisition of GBST by an alternative purchaser absent the Merger

5.32 Prior to the acquisition of GBST by FNZ, two other parties were engaged in the bidding process: Bravura and SS&C.

Likelihood of an alternative acquisition by Bravura

5.33 We do not consider an acquisition of GBST by Bravura to be a sufficiently likely scenario to be selected as the counterfactual on the basis that its bid did not proceed beyond an early stage in the bidding process, and that it was not prepared to pay more than its initial offer. Further, Bravura is the closest competitor to GBST,⁶⁹ and such an acquisition would be likely to raise competition concerns which would have led to a significant risk of the transaction being referred to an in-depth phase 2 investigation. Accordingly, in line with the CMA's practice not to consider possible counterfactual scenarios that are likely to result in a reference to a phase 2 investigation,⁷⁰ an acquisition of GBST by Bravura should not be used as a counterfactual scenario for the purposes of our investigation of the Merger.

5.34 Following the receipt of proposals from SS&C and FNZ on 28 June, GBST announced, also on 28 June, that it had decided not to enter into further discussions with Bravura given the other offers received were higher than that submitted by Bravura. GBST's responses to the bids from SS&C and FNZ were made in public announcements to the ASX:

(a) On 28 June, the GBST Board, having reviewed the first proposals made by both SS&C and FNZ, 'determined that the proposal received from SS&C was superior to that of FNZ having regard to a range of factors';

⁶⁹ See Chapter 8, Competitive Assessment.

⁷⁰ See, for example, the CMA's phase 2 Final Report in relation to the [completed acquisitions by Bauer Media Group's of certain businesses of Celador Entertainment Limited, Lincs FM Group Limited, Wireless Group Limited, and the entire business of UKRD Group Limited](#), 12 March 2020, paragraphs 21 and 6.83; and CMA's phase 2 Final Report in relation to the [completed acquisition by PayPal Holdings, Inc. of iZettle AB](#), 12 June 2019, paragraph 7.37.

- (b) On 1 July, GBST announced that SS&C had secured exclusive due diligence in connection with its proposal;
- (c) On 1 July, FNZ made a second non-binding indicative proposal on an unsolicited basis;
- (d) On 2 July, following an updated indicative proposal from SS&C of AUD\$3.60 per share, with an offer of expedited due diligence, GBST announced that it 'remained in the best interests of shareholders to allow SS&C to undertake due diligence and to engage further with SS&C in order to determine if a transaction capable of Board recommendation could be developed and put to shareholders';
- (e) On 5 July, GBST received a third non-binding indicative proposal from FNZ, on an unsolicited basis, for AUD\$3.65 per share;
- (f) Following the third offer from FNZ, GBST concluded that SS&C's proposal was still superior due to the scope of its due diligence and other matters, including uncertainty as to whether FNZ's non-binding offer would translate into a binding offer. The GBST Board noted, on [redacted] that it 'intends to unanimously recommend the Updated Indicative Proposal from SS&C to shareholders in the absence of a superior proposal';⁷¹ and
- (g) Following four further proposals submitted by FNZ between 24 July and 29 July, GBST announced, on 29 July, that GBST and FNZ had entered into a binding Scheme Implementation Deed for 100% of the shares in GBST. The Scheme was not subject to financing or due diligence.

5.35 Based on the evidence summarised above, and in particular the progress made with SS&C prior to receiving FNZ's third offer on 5 July, we consider, on balance, that it was likely that, absent the competing offer from FNZ, GBST would have sought to conclude the acquisition by SS&C. Moreover, although it is possible that SS&C's offer might have fallen away during due diligence, and the evidence indicates that GBST would have been able to continue independently if this had happened, we consider the most likely alternative scenario to the Merger is that SS&C would have continued with its bid and would have succeeded in acquiring GBST. We therefore consider whether an acquisition by SS&C of GBST would have made a material difference to our competitive assessment relative to the pre-merger conditions of competition.

⁷¹ GBST ASX Announcement on 8 July 2019.

Impact of an alternative acquisition by SS&C on our competitive assessment

- 5.36 In order to assess the impact that this alternative transaction would have on our competitive assessment, we have considered whether the conditions of competition if GBST were under SS&C ownership would have been materially different from the pre-Merger conditions of competition, ie whether they would have clearly been either more or less competitive. In doing so, we have, consistent with the CMA's guidance, sought to avoid importing into our assessment any 'spurious claims to accurate prediction or foresight'.⁷²
- 5.37 FNZ submits that the acquisition of GBST by SS&C would produce a materially different structure to the pre-Merger conditions of competition⁷³ and so the CMA 'need properly to analyse' this possibility because of SS&C's existing presence in the market (as evidenced by its market shares and presence in tenders) and the frequency with which SS&C was identified as an alternative supplier to FNZ in responses to the CMA's questionnaires.⁷⁴ FNZ also suggests that, if the Merger is assessed by reference to SS&C's acquisition of GBST, it would give rise to a 'meaningfully different market structure'⁷⁵ (as there would be one fewer competitor bidding for tenders) but 'it would not result in an SLC'⁷⁶ (FNZ appears to recognise that a transaction that gives rise to an SLC would not be a relevant counterfactual)⁷⁷. FNZ also submitted that adopting such a counterfactual would not require the CMA to 'calculate the precise level of reduction in competition' resulting from an acquisition of GBST by SS&C'.
- 5.38 We disagree with FNZ, and its position appears to assume a reduction in competition which is material enough to affect the competitive effects assessment of the Merger but not material enough to be likely to result in an in-depth phase 2 investigation⁷⁸, and thus would require us to make predictions about the likely impact of two different transactions in a way that would be spuriously accurate and therefore inconsistent with the CMA's usual approach to the counterfactual.⁷⁹ However, for the reasons discussed in

⁷² [MAGs](#), paragraph 4.3.6 [underlined for emphasis not in the original].

⁷³ FNZ Remittal Submission, 9 March 2021, paragraph 2.14.

⁷⁴ NoA, paragraph 34.

⁷⁵ FNZ Initial Remittal Submission, 12 February 2021, paragraphs 5.9. and 5.12.

⁷⁶ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.12.

⁷⁷ SS&C's acquisition of GBST would result in a reduction of competition because of its 'incremental competitive impact' but that lessening of competition would not be substantial enough to amount to an SLC. See, FNZ Initial Remittal Submission, 12 February 2021, paragraphs 5.14. and 5.15. We note, however, that the purpose of the counterfactual assessment is not to assess the differential between the lessening of competition resulting from the Merger and an SS&C/GBST merger but to determine the conditions of competition against which to assess the competitive effects of the merger.

⁷⁸ See paragraph 5.15.

⁷⁹ [MAGs](#), paragraph 4.3.6.

paragraphs 5.40 and 5.46 below, a detailed assessment is not needed in this case in any event.

- 5.39 By contrast, GBST and SS&C appear to suggest that the acquisition of GBST by SS&C could have been more competitive than the pre-Merger conditions of competition because it would have enabled SS&C to offer clients both software-only/SaaS and PaaS models. SS&C also told us that it would have continued to offer GBST's products and intended to complete GBST's [REDACTED].
- 5.40 Taking all the evidence in the round, we consider that, if SS&C had acquired GBST, the conditions of competition would not have been materially different, and in particular certainly no less competitive, from the pre-Merger conditions of competition.
- 5.41 First, the evidence considered in more detail in the Competitive Assessment Chapter shows that SS&C has a limited presence on the relevant market and exerts a limited competitive constraint on the Parties. It has only one main customer (St James's Place),⁸⁰ and uses a closed architecture, which currently limits its ability to service other Retail Platform customers.⁸¹ It has [REDACTED] recently, but all for Non-Retail Platforms. Third parties, including SS&C, also provided evidence that SS&C is a weaker competitor than GBST, FNZ and Bravura, in particular because of limitations with SS&C's software and the adverse impact on its reputation of a high-profile [REDACTED].⁸² Moreover, qualitative evidence from customers' tender evaluations indicates that SS&C does not have a good reputation in the relevant market and that its Platform Solution is not suitable for most Retail Platforms.⁸³
- 5.42 Second, the evidence also shows that GBST and SS&C are not close competitors. According to our tender data, SS&C only met GBST in [REDACTED] retail tender(s) during the last five years.⁸⁴ On this basis, FNZ itself submitted that SS&C and GBST are not close competitors, as SS&C is focused on Combined Platform Solutions while GBST is software-only.⁸⁵ The lack of competition is also supported by customers' views and internal documents.⁸⁶ This indicates that customers would be unlikely to be materially negatively affected from SS&C no longer being a competitor in a SS&C/GBST counterfactual.

⁸⁰ Chapter 8, Competitive Assessment, 8.28, 8.161, 8.174.

⁸¹ Chapter 8, Competitive Assessment, 8.28, 8.161, 8.174.8.161

⁸² Chapter 8, Competitive Assessment, paragraph 8.174.1(c)(ii)

⁸³ Appendix K, paragraph 14.

⁸⁴ Chapter 8, Competition Assessment, paragraph 8.205.

⁸⁵ FNZ Remittal Submission, 9 March 2021, paragraph 2.8(ii).

⁸⁶ Chapter 8, Competitive Assessment, paragraphs 8.227, 8.232, 8.233.

- 5.43 Third, the evidence that is available on SS&C's plans for GBST's business is limited. We have seen no evidence that SS&C had planned to materially change the way GBST operates. FNZ stated that there was 'no indication that CMA sought further evidence on how SS&C might have run GBST, even though limited evidence was flagged at the Working Paper stage'.⁸⁷ We note that, on 6 February 2020, the CMA asked SS&C to produce documents sent to the board, board meeting minutes or valuation models in relation to SS&C's expected approach to the investment in GBST's Composer technology and SS&C's plans with regard to GBST's current customers, should it have been successful in its bid. On 14 February 2020, SS&C produced two documents⁸⁸ and explained that 'queries and responses during the due diligence process were deleted by SS&C following the conclusion of the sale process'. [REDACTED].⁸⁹
- 5.44 While an SS&C/GBST entity would have a notional share of supply around [20-30]%,⁹⁰ and would thus be one of the suppliers with the highest shares of supply, we note that, in differentiated bidding markets, such as the relevant market in this case, shares of supply are not necessarily an indicator of market power and do not fully capture the closeness of competition between firms and accordingly shares of supply have been given lower weight for our competitive effects assessment.
- 5.45 The evidence on closeness of competition indicates that any reduction in competition for Retail Platforms created by an acquisition of GBST by SS&C would not be material. It is, however, possible that the combination of two smaller players, with largely complementary offers,⁹¹ could create more competitive conditions of competition, by creating a stronger constraint on the main players in the relevant market.
- 5.46 We assess in more detail in Appendix G the evidence indicating that the assessment of the Merger against a counterfactual where SS&C and GBST had merged would have not result in materially different findings on the effect of the Merger on competition.
- 5.47 Taking into account all of the evidence in the round, we consider that, if SS&C had acquired GBST, the conditions of competition would not be materially different from the pre-Merger conditions of competition, and under the ownership of SS&C, GBST would have continued to exert broadly the same constraint as it did pre-Merger.

⁸⁷ NoA, paragraph 34.

⁸⁸ [REDACTED]

⁸⁹ [REDACTED]

⁹⁰ Chapter 8, Competitive Assessment.

⁹¹ Chapter 8, Competitive Assessment.

Our provisional conclusion on the counterfactual

- 5.48 We do not believe that the available evidence supports the position that GBST's position as an independent competitor would have [X] absent the merger, so as to make a material difference to our competitive assessment.
- 5.49 We found that it is likely, on balance, that GBST would have been acquired by an alternative purchaser, SS&C, but that the conditions of competition under this alternative counterfactual would not be materially different from the pre-Merger conditions of competition. In this regard, we note that SS&C exerts a limited competitive constraint in the relevant market and is not a close competitor to GBST. We have seen no evidence that SS&C had planned to materially change the way GBST operates. We therefore consider that, under the ownership of SS&C, GBST would have continued to exert broadly the same constraint as it did pre-Merger. Further detailed evidence supporting this provisional conclusion is provided in Chapter 8.
- 5.50 Accordingly, on the basis of the evidence set out above, we provisionally conclude that the most likely counterfactual for the purpose of our competitive assessment is the conditions of competition prevailing prior to the contemplation of the Merger.

6. Market definition

Overview

- 6.1 Market definition provides a framework for the analysis of the competitive effects of a merger. Market definition is a useful analytical tool, but not an end in itself, and identifying the relevant market involves an element of judgement.⁹²
- 6.2 The boundaries of the market do not determine the outcome of our analysis of the competitive effects of a merger in any mechanistic way. In assessing whether a merger may be expected to give rise to an SLC, we may take into account constraints from outside the relevant market, segmentation within the relevant market, or ways in which some constraints are more important than others.⁹³ This is particularly relevant in a differentiated sector where: (i) customers have differing needs, depending on their user-base and preferences; (ii) and there is a range of different types of products. We take these factors into account in our competitive assessment.

⁹² MAGs, paragraphs 5.2.1–5.2.2.

⁹³ MAGs, paragraph 5.2.2.

- 6.3 In practice, the analysis underpinning the identification of the market or markets and the assessment of the competitive effects of a merger overlap, with many of the factors affecting market definition being relevant to the assessment of competitive effects and vice versa.⁹⁴
- 6.4 We assessed the relevant product market and the relevant geographic market in which the effects of the Merger should be assessed.

Product market

- 6.5 The relevant product market will include the most significant competitive alternatives available to customers of the Parties.
- 6.6 We started our assessment of the product market with the overlapping products of the Parties– ie the supply of Retail Platform Solutions.⁹⁵ We then assessed whether it should be widened on the basis of demand- or supply-side considerations.⁹⁶
- 6.7 In particular, we considered whether it is appropriate, within the supply of Platform Solutions, to distinguish between:
- (a) Retail Platform Solutions and other types of Investment Platform Solutions;
 - (b) Different types of Retail Platforms, eg between platforms managing ‘active’ products and those managing ‘legacy’ products;
 - (c) The supply of Software-only Solutions and Combined Platform Solutions (the delivery model used); and
 - (d) In-house provision of software and/or servicing and third party provision.

Our approach to the assessment

- 6.8 In making this assessment, we focused on the closeness of substitution between different types of Platform Solutions and different delivery models. We consider that this is the most appropriate way of capturing the most significant competitive alternatives available to the customers of the Parties and the sources of competition to the Parties that are the immediate determinants of the effects of the Merger. We have taken into account

⁹⁴ MAGs, paragraph 5.1.1.

⁹⁵ MAGs, paragraph 5.2.11.

⁹⁶ MAGs, section 5.2.

constraints from outside the relevant market, as well as those within that market, in our competitive assessment in Chapter 8.

- 6.9 FNZ submitted that, during the Phase 2 investigation, the CMA failed to apply the Hypothetical Monopolist Test⁹⁷, as ‘it has not asked customers and rival suppliers how they might respond to a SSNIP⁹⁸ and did not carry out ‘any other analysis capable of robustly defining the relevant market’⁹⁹. FNZ considered that, as a result, the CMA could not ‘reach a determination on the profitability of a SSNIP because it had failed to gather the relevant evidence’ and ‘has not quantified a SSNIP, even approximately’¹⁰⁰ to assess the impacts of a SSNIP.¹⁰¹
- 6.10 According to the MAGs, the CMA will use the Hypothetical Monopolist Test as a tool to check that the relevant product market is not defined too narrowly.¹⁰² The Hypothetical Monopolist Test in this case has involved assessing whether a hypothetical monopolist of Retail Platform Solutions would find it profitable to raise prices above the competitive level. The underlying concern of the Hypothetical Monopolist Test is to identify the extent of the competitive constraint exerted on the plausible candidate product market (in this case, Retail Platform Solutions) by other products (in this case, Non-Retail Platform Solutions).¹⁰³
- 6.11 The CMA can apply the Hypothetical Monopolist Test by asking customers how they would respond to a small but significant price increase over a non-transitory period of time (ie a ‘SSNIP’).¹⁰⁴ In some cases, such evidence may be gathered by asking customers how they would respond in the face of a SSNIP. However, asking the SSNIP question is not the only way to apply the Hypothetical Monopolist Test, and other types of evidence may be more probative for assessing the strength of constraints and substitutability.
- 6.12 In this case, we considered it was not appropriate or necessary to ask customers how they would respond in the face of a SSNIP on Retail Platform Solutions. The reasons for this are:
- (a) The supply of Platform Solutions to Investment Platforms is a highly differentiated bidding sector, in which prices are negotiated individually

⁹⁷ NoA, paragraph 47 (a).

⁹⁸ A small but significant and non-transitory increase in price.

⁹⁹ NoA, paragraph 47(a); FNZ Initial Remittal Submission, paragraph 4.24.

¹⁰⁰ NoA, paragraph 48(a).

¹⁰¹ FNZ Initial Remittal Submission, paragraph 4.24 and FNZ Remittal Submission, 9 March 2021, paragraphs 3.12-3.17.

¹⁰² MAGs, paragraph 5.2.8.

¹⁰³ Similar considerations apply in considering constraints between different delivery models and in-house provision.

¹⁰⁴ MAGs, paragraphs 5.2.10 and 5.2.11.

with each customer for each product through a lengthy bidding process. In addition, each customer has slightly different requirements¹⁰⁵ and suppliers can tailor their offers to meet these, depending on the requirements and preferences of the customer. This process typically results in long-term contracts with limited ability for customers to switch supplier. As a result, customers may not typically have good information on how different suppliers could meet their needs and the price they would pay for this unless they are going through a current tender, and their responses to a hypothetical SSNIP question are unlikely to be informative.

- (b) Furthermore, as set out in our competitive assessment¹⁰⁶, price is only one of the main parameters upon which suppliers compete, with the available evidence also highlighting the importance of reputation and track record as well as product development (including R&D). While in some cases a SSNIP question can be used as a proxy for small changes in quality as well as price, in practice a small change in product development and R&D would not be easy to measure.
- (c) As set out further below, we had alternative sources of data which provide good evidence of customers' revealed preferences (ie how they actually choose between alternative suppliers in practice). We believe that, in this case, this is likely to be more probative than responses to a SSNIP question, which convey stated preferences by reference to a hypothetical scenario.

6.13 We therefore consider that a SSNIP question by reference solely to price¹⁰⁷ in a differentiated bidding sector, with long-term contracts and in which customers face high barriers to switching would fail to adequately capture all the nuances in the pricing models of market participants and customer preferences in this case.

6.14 Instead, we used a range of other sources of evidence in assessing the Hypothetical Monopolist Test, ie to assess to what extent Non-Retail Platform Solutions are an effective alternative to Retail Platform Solutions. In terms of demand-side substitutability, those sources of evidence included:

- (a) Customers' actual preferences as to who to invite to tenders and their subsequent purchasing decisions in tenders. Tender evidence in this case

¹⁰⁵ See Chapter 7, Nature of Competition.

¹⁰⁶ See Chapter 7, Nature of Competition, paragraph 7.35.

¹⁰⁷ The diversion questions in the customers questionnaire (see footnotes 109 and 110) were asked by reference to the products offered by FNZ and GBST to each customer and not by reference to price increase.

is particularly informative for the purposes of assessing the Hypothetical Monopolist Test;¹⁰⁸ and

(b) Evidence from customers on which suppliers they see as alternatives to the existing supplier of their Investment Platform,¹⁰⁹

6.15 We also gathered information on supply-side substitution, including evidence from suppliers of Platform Solutions on how easy it would be for suppliers to Non-Retail Platforms to adapt their Platform Solutions to enable them to compete to supply Retail Platforms.¹¹⁰

6.16 Taken together, this evidence has allowed us to identify the extent of the substitutability between Retail Platform Solutions and Non-Retail Platform Solutions, and which services exert the main competitive constraints on providers of Retail Platform Solutions. Accordingly, we consider that this provides a sufficient and the strongest evidential basis for assessing the Hypothetical Monopolist Test.

6.17 In our assessment, we considered whether it is appropriate, within the supply of Platform Solutions, to distinguish between:

(a) Retail Platform Solutions and other types of Investment Platform Solutions;

(b) The supply of Software-only Solutions and Combined Platform Solutions (the delivery model used); and

(c) In-house provision of software and/or servicing and third party provision.

¹⁰⁸ While the SSNIP question conveys stated preferences by reference to a hypothetical scenario, the tender data that is available in this case provides good evidence of customers' revealed preferences (ie how they actually choose between alternative suppliers in practice) and can be used as probative of customers behaviour instead of customers' stated preferences in response to a SSNIP question.

¹⁰⁹ We asked customers the following questions: a) '[w]hich suppliers do you consider suitable for your platform(s)? In your response please explain whether you would consider FNZ and GBST, and if yes, explain the benefits and drawbacks of the solutions of (i) FNZ, (ii) GBST and (iii) other suppliers' and b) 'To what extent would you consider (i) FNZ and (ii) GBST and (iii) any other suppliers of Platform Solutions to be close alternatives for your needs in the UK if your current supplier could no longer provide the services after the contract ends', asking them to rank them 1-5'.

¹¹⁰ We asked competitors: 'Please explain how easy it would be for you to adapt your Platform Solutions to enable you to compete for Retail Platform customers. Do you have any plans to do so in the next 2 years? c) Please explain how easy it would be for (other) Platform Solution suppliers to Non-Retail Platforms to adapt their Platform Solutions to enable them to compete for Retail Platform customers'.

Retail Platform Solutions and other types of Platform Solutions

6.18 We first considered whether our candidate product market – the supply of Retail Platform Solutions – should be expanded to include the supply of solutions to a wider set of Investment Platforms. This section sets out:

- (a) The Parties' submissions on this question;
- (b) The evidence which we used to distinguish different platform types;
- (c) Our findings on demand-side and supply-side substitution between Retail Platforms and Non-Retail Platforms; and
- (d) Our views on the distinction between Retail Platforms serving legacy¹¹¹ and active products.

FNZ submissions

6.19 In the Phase 2 Inquiry, FNZ submitted that:

- (a) The relevant market should be the supply of Platform Solutions for all wealth management platforms for individual end investors.¹¹² It said that distinctions, such as between Retail, stockbrokers, private client investment managers (PCIMs) and private banks existed historically but have now disappeared due to regulatory and technology changes over the past 15 years. It said that types of Investment Platforms have converged and 'overlap substantially in terms of the customer base they serve and the services they offer, and so require the same solutions from their Solutions Providers';¹¹³
- (b) While there may still be some differences between Retail Platforms and private banks and stockbrokers, PCIM Platforms should be considered as Retail Platforms and, to the extent there is a case to exclude any Investment Platform from the definition of Retail Platforms, this is limited to a handful of private banks that cater for ultra-high net worth individuals;¹¹⁴
- (c) Retail Platforms and Non-Retail Platforms both serve mass affluent customers; provide the same or similar investment assets, including a

¹¹¹ Legacy products are closed for new investments and only require the administration of investments concluded before the product was closed to active investments.

¹¹² FNZ Initial phase 2 Submission, paragraph 1.2 (iii). This commented on the CMA phase 1 Decision frame of reference of Retail Platform Solutions.

¹¹³ FNZ Initial phase 2 Submission, paragraph 1.2 (ii).

¹¹⁴ FNZ Initial phase 2 Submission, paragraph 1.2 (iii).

wide range of ‘tax wrappers’; can cater for high-volume, commoditised demand; offer similar front end functionality to investors; and cannot be distinguished according to whether they have ‘open’ or ‘closed’ architecture;¹¹⁵

- (d) Retail Platforms also serve high net worth individuals and, therefore, have solutions in place to cater for the needs of this investor group;¹¹⁶
- (e) Differentiation between delivery models far exceeds any modest differences between Investment Platforms’ requirements cited by the CMA in justification of its Retail/Non-Retail distinction,¹¹⁷ and the CMA should assess whether a customer that wanted a Combined Platform Solution would be more willing to consider a Combined Platform Solutions supplier with limited Retail experience than a Software-only supplier with greater Retail experience;¹¹⁸
- (f) Most Investment Platforms (Retail and Non-Retail) offer stocks and shares and so stockbrokers should not be a separate category for the purpose of market definition;¹¹⁹
- (g) Any differences in supplier focus do not mean that demand-side substitution is limited. Even if there were differences between the suppliers of Platform Solutions, it would be straightforward for Non-Retail Platform Solutions suppliers to serve Retail Platforms because the needs of Non-Retail Platforms encompass those of Retail Platforms. The out-of-market constraint exerted by Non-Retail Platform Solutions suppliers would be almost as powerful as if they were in the market;¹²⁰
- (h) The CMA needs to assess whether Non-Retail Platform Solutions suppliers would expand into Retail Platform Solutions if prices rose by 5-10%;¹²¹ and
- (i) Suppliers of Retail Platform Solutions overlap with suppliers of Non-Retail Platform Solutions in tenders, therefore it cannot be the case that suppliers of Non-Retail Platform Solutions lack the expertise to supply

¹¹⁵ FNZ Initial phase 2 Submission, sections 3 and 4; FNZ response to the phase 2 Provisional Findings, paragraph 3.10; and FNZ response to the phase 2 Provisional Findings, Annex 2, section 7, page 13.

¹¹⁶ FNZ response to the phase 2 Provisional Findings, Annex 2, section 3, page 4.

¹¹⁷ FNZ response to the phase 2 Provisional Findings, paragraph 3.14.

¹¹⁸ FNZ response to the phase 2 Provisional Findings, paragraph 3.18.

¹¹⁹ FNZ response to the phase 2 Provisional Findings, Annex 2, section 4, page 5.

¹²⁰ FNZ Initial phase 2 Submission, paragraphs 4.5-4.6 and FNZ response to the phase 2 Provisional Findings, paragraphs 3.16 and 3.20.

¹²¹ FNZ response to the phase 2 Provisional Findings, paragraph 3.18.

Retail Platforms and that there are distinct competitor sets in Retail and Non-Retail tenders.

6.20 In the Remittal Inquiry, FNZ reiterated its view that the market definition adopted in the Phase 2 Report is ‘artificial, refuted by empirical evidence, and inconsistent with the CMA’s guidelines’.¹²² In particular, it submitted that:

- (a) There is no basis for defining separate markets for solutions to Retail Platforms and Non-Retail Platforms because:
- (i) Platforms defined by the CMA as Retail, ‘Borderline’, and Non-Retail have similar characteristics and offer end-investors broadly the same range of products and services.¹²³ This is because in FNZ’s view investors require access to the same mainstream assets so as to ensure efficient asset allocation. The argument that Retail Platforms require different solutions to Non-Retail Platforms to efficiently manage a larger number of accounts is misconceived.¹²⁴ Solutions providers that can credibly supply Borderline (according to the classification in the Phase 2 Report) or Non-Retail Platforms can also supply Retail Platforms;¹²⁵
 - (ii) The CMA does not explicitly identify the different groups of investors which Retail Platforms and Non-Retail Platforms serve¹²⁶ and there is material overlap in the investor types served by Retail Platforms, ‘borderline platforms’ and Non-Retail Platforms.¹²⁷ Any differences in investor groups targeted by platforms are overstated and, in any event, do not imply differences in functionality required;¹²⁸ and
 - (iii) The evidence suggests that, the main demand-side consideration for a platform is whether to choose a PaaS or a Software-only Solution. These delivery models offer very different solutions for platform customers.¹²⁹
- (b) There were significant flaws in the CMA’s approach and evidence-gathering in the Phase 2 Report, including:
- (i) The CMA did not follow its guidance on applying the SSNIP test – it did not consider demand- or supply-side responses to a SSNIP (or a

¹²² FNZ Initial Remittal Submission, section 4.

¹²³ FNZ Initial Remittal Submission, paragraph 4.17

¹²⁴ FNZ Initial Remittal Submission, paragraph 4.12.

¹²⁵ FNZ Initial Remittal Submission, paragraph 4.18.

¹²⁶ FNZ Initial Remittal Submission, paragraph 4.5.

¹²⁷ FNZ Initial Remittal Submission, paragraph 4.6.

¹²⁸ FNZ Remittal Submission, 9 March 2021, paragraph 3.29.

¹²⁹ FNZ Initial Remittal Submission, paragraph 4.21.

commensurate reduction in quality).¹³⁰ Specifically, the CMA's questionnaires did not provide a basis for an assessment of how customers and potential suppliers would be likely to respond to a SSNIP.¹³¹

- (ii) The questionnaires that the CMA used to gather evidence from customers and competitors were flawed because: (i) the definition of Retail used was inconsistent with that used in the Phase 2 Report; and (ii) third parties were led by the framing of the questions to draw a distinction between Retail and Non-Retail Platforms.¹³²
- (c) The large number of Borderline platforms relative to Retail Platforms and Non-Retail Platforms in the Phase 2 Report reflects the absence of a clear basis for distinguishing between them. A solutions provider for a Borderline platform must be able to serve a Retail Platform, because the provider must have retail functionality to serve the retail components of a Borderline platform.¹³³

6.21 FNZ also submitted that:

- (a) We have not used a clear, coherent definition of Retail Platform Solutions, stating that the features of Retail Platforms (set out in paragraph 6.31(a)) are described in comparative terms and therefore do not provide a clear demarcation between Retail Platforms and Non-Retail Platforms.¹³⁴ that these descriptions have changed over the course of the investigation;¹³⁵
- (b) The lack of clarity of the definition of Retail Platform Solutions compromised the inquiries made of third parties during the course of the investigation, as they would have been unclear as to whether a given platform was Retail or Non-Retail, may have answered on different bases at different points in the inquiry and responses may have been subject to framing bias.¹³⁶

¹³⁰ FNZ Initial Remittal Submission, paragraph 4.24.

¹³¹ FNZ Remittal Submission, 9 March 2021, paragraph 3.14.

¹³² FNZ Remittal Submission, 9 March 2021, paragraph 3.3.

¹³³ FNZ Initial Remittal Submission, paragraph 4.15.

¹³⁴ NoA, paragraph 54.

¹³⁵ NoA, paragraph 58(d). We note that it is not unusual for the CMA to refine and even change the way it describes or define the services offered by the merging parties as its investigations progress and the CMA's understanding of the merging parties' businesses develops. We consider that there is no indication that the refinement of the definitions used by the CMA gave rise to any confusion on the part of third parties that could have impacted on the views and evidence that they provided to the CMA. Furthermore, during the Remittal Inquiry, we have clarified any aspect of third party responses that was unclear. We also note that while FNZ supplies both Retail Platform and Non-Retail Platform solutions, it primarily supplies platform solutions to Retail Platforms. Therefore, the CMA's classification of the Investment Platform Solutions offered by the Parties did not change between the CMA's phase 1 Decision and Phase 2 Report (see more detail in Appendix B).

¹³⁶ NoA, paragraph 58.

- (c) The CMA's analysis ignores the fact that, even on its own definitional basis, there are three categories of customer not two: 'Retail, Non-Retail and Borderline (mixed retail/non-retail)'.¹³⁷

6.22 Appendix B sets out more detail on our view in relation to FNZ's submissions on the third party questionnaires and the slight changes in the definition of Retail Platforms used by the CMA throughout the investigation and our views on how we do not consider it appropriate to reduce the weight we place on customer responses as a result of the framing of particular questions.

GBST submissions

6.23 GBST gave a different view. It submitted that:

- (a) Different types of Investment Platforms focus on different consumer groups. For example, PCIM Platforms target customers who need a wider range of services, a broader range of asset classes and tax planning, so these platforms require a more bespoke solution.
- (b) Technology for the private bank and PCIM categories is often not built to support the number of customers and trading volumes required by Retail Platforms.
- (c) Suppliers serve different parts of the market, despite all being able to support the same tax wrappers and investments. For example, some focus on private wealth or banking; others on workplace or advised Retail Platforms, rather than all suppliers targeting all types of platform. It said that '[t]he nuances of each segment cannot be underestimated'. GBST pointed to data it had seen on tenders and the competitors it faces in each market segment'.
- (d) It would be difficult, and require significant investment, for suppliers serving Non-Retail Platforms to develop the underlying technology required to serve Retail Platforms, mainly due to the complexity of tax treatments and rules that apply to different tax wrappers.

Investment Platform type

6.24 We first considered whether Retail Platforms can be treated as a distinct product category and whether there is a clear boundary between Retail Platforms and other types of wealth management platform.

¹³⁷ NoA, paragraph 23(b) and 47(b).

- 6.25 The requirements and preferences of Investment Platforms can influence the suppliers that they consider to be suitable alternatives for the supply of Platform Solutions. We therefore considered whether it was appropriate to differentiate Retail Platforms from other Investment Platforms based on their characteristics and how they are used by end investors.
- 6.26 There are a variety of ways in which Investment Platforms can be differentiated. Industry participants and regulators such as the FCA use different approaches to categorise platforms. Based on evidence gathered through the course of the Phase 1 and Phase 2 Inquiry, we identified the following main types of Investment Platform which have differing Platform Solution requirements:
- (a) retail Platforms;
 - (a) stockbroker platforms;
 - (b) PCIM platforms; and
 - (c) platforms operated by private banks.
- 6.27 For the purposes of our analysis, we describe Investment Platform types in (b), (c), and (d) together as 'Non-Retail Platforms'.
- 6.28 Most Investment Platforms can be defined as Retail or Non-Retail Platforms. However, we note that these Investment Platform types are not formally defined and there is some variation in the terminology used by market participants and in the Parties' internal documents to describe them.¹³⁸
- 6.29 We next consider whether our starting point for assessing market definition (the focal product) should be only Retail Platforms, or if the differences between platform types are sufficiently limited that our starting point should be to consider all Investment Platforms. We consider below the similarities and differences between the different types of Investment Platforms in terms of functionality and end-customers as a first step to understanding whether the supply of Platform Solutions should be expanded to include a wider set of Investment Platforms.
- 6.30 To inform this, we have considered:
- (a) The role of functionality of different platform types in our assessment;

¹³⁸ For example, making distinctions between 'retail' and 'wealth management' Investment Platforms, or between 'mass affluent' and 'high net worth' Investment Platforms. See also Appendix B about CMA's approach to third party evidence.

- (b) The role of end-customer characteristics in our assessment; and
- (c) Convergence between Investment Platforms and their requirements;

6.31 As explained in more detail below, we found that:

- (a) The term Retail Platform is widely understood and used by suppliers, customers and consultants, and third parties provided similar descriptions for each Investment Platform type:
 - (i) **Retail Platforms** typically serve high volumes of customers and are primarily focused in the mass affluent part of the market. They are more likely to offer a more restricted range of assets than other platform types (although this is not always the case and they are increasingly using an open architecture that widens the investment product range) but tend to be focused on providing tax wrappers such as individual savings accounts (ISAs) and self-invested personal pensions (SIPPs).¹³⁹ The platforms are built to be highly automated so that a very large number of accounts can be managed efficiently.
 - (ii) **Private client investment managers and private banks** tend to deal with more bespoke wealth planning with a focus on managing money across a broader set of investments to meet the complex needs of a smaller number of higher net worth end-investors.¹⁴⁰ These Investment Platforms are built to provide a more customised service for their end-investors.
 - (iii) **Retail stockbrokers** either trade financial instruments on behalf of consumers (through advisors) or allow the consumer the ability to 'Do-It-Yourself'. They are available to all investor types.
- (b) Although there has been some convergence between different types of Investment Platforms, and some Non-Retail Platforms provide similar core functionality, there remain key differences between Retail Platforms and other Investment Platforms (as described above). Similarly, even though Retail Platforms and other Investment Platforms can both serve similar types of investors, the products can be distinguished. We have taken account of these points in considering whether the product market should be widened to include other types of Investment Platform based on the

¹³⁹ We also consider suppliers of workplace pensions to be Retail Platforms

¹⁴⁰ We have seen a range of terms used by third parties and within the Parties' internal documents to refer to the Private-client segment of the market including 'wealth', 'wealth management', 'private wealth management', 'higher end', 'high net worth', 'discretionary fund management' and other variation on these terms.

ability of customers and providers to substitute between Retail and Non-Retail Platform Solutions.

- 6.32 As noted below, we are aware that there are differences in the preferences and requirements of Investment Platforms within those categorised as Retail Platforms or Non-Retail Platforms. We also acknowledge there is some ambiguity at the boundary over whether certain Investment Platforms should be defined as Retail Platforms (as discussed at paragraph 6.45 to 6.48 and 6.102: some Investment Platforms do not neatly fit into only one category¹⁴¹ and the specific requirements and preferences of Retail Platforms may vary (eg certain Retail Platforms were set up to be used by independent financial advisers, whereas others are intended to be used only by that Retail Platform's in-house financial advisers).
- 6.33 The evidence in paragraphs 6.34 to 6.48 below is also relevant to our later assessment of demand- and supply-side substitutability.

The role of functionality of different Investment Platforms in our assessment

- 6.34 FNZ submitted that we placed too much weight on customer, competitor and consultants' qualitative evidence which is unlikely to provide a sound basis for assessment of market definition due to questionnaire flaws. In contrast, the Phase 2 Report did not accord sufficient weight to objective evidence suggesting that there were no clear differences in either the functionality provided by different types of platforms or the ultimate investors served. In particular, FNZ stated that we did not give due consideration to specific platform functionalities and that our outline of the differences and similarities between Retail Platforms and Non-Retail Platforms was vague.¹⁴² FNZ submitted that 'Retail, Borderline and Non-Retail Platforms (as categorised by the CMA) have similar characteristics and offer end-investors broadly the same range of products and services'.¹⁴³
- 6.35 We carefully considered FNZ's evidence suggesting that Retail and Non-Retail Platforms offer similar functionality.¹⁴⁴ ¹⁴⁵ We agree that many of the

¹⁴¹ See chart in Appendix D, paragraph 2 illustrates this overlap across segments. We set out how we took into account these considerations when collecting and interpreting evidence from third parties in Appendix B.

¹⁴² NoA, paragraph 48c(i).

¹⁴³ FNZ Initial Remittal Submission, paragraph 2.9 and 4.17.

¹⁴⁴ FNZ Remittal Submission, 9 March 2021, paragraph 3.20

¹⁴⁵ In FNZ's Initial Remittal Submission, Annex 1, for instance, FNZ submitted some evidence suggesting that Retail, Borderline, and Non-Retail Platforms offer the same set of mainstream assets' and so have the same or similar requirements in terms of functionality' (page 5). In FNZ's Remittal Submission, 9 March 2021, FNZ provided the example of Brewin Dolphin - a platform classified as 'Borderline' that 'advertises itself as offering a financial planning service that targets mass-affluent customers' – to exemplify that 'borderline' platforms can fulfil all the requirements of Retail Platforms' (paragraph 3.25). See also slide presentation used in the FNZ's Oral

core functionalities across these platforms are similar and that there is not a 'bright line' distinction between different platform types.

- 6.36 Our third party evidence (see paragraphs 6.57 to 6.62) shows that customers value how well a given provider can support functions which are particularly important for its product, as well as taking account of a provider's reputation and track record. The evidence shows that customers' needs go beyond the mere functionality of the platform solutions they require. Furthermore, the specific requirements and preferences of Retail Platforms may vary.¹⁴⁶
- 6.37 As such, the fact that platforms perform similar functions does not necessarily mean that customers would be willing to substitute between them or that suppliers would have the ability and incentive to quickly switch capacity to supply solutions to Retail Platforms in response to a SSNIP (which we assess in paragraphs 6.45 to 6.86). We have therefore placed more weight on third party evidence, tender analysis and internal documentary evidence as indicators of substitutability than on a functional analysis of different platform providers.

The role of end-customer characteristics in our assessment

- 6.38 As part of its evidence to show there are no clear differences in the ultimate investors served by different platform types, FNZ also provided data on number of accounts by size of assets for a small number of platforms at Phase 2 (based on April 2020 data) and in the remittal (based on January 2021 data). FNZ submitted that this showed that [✂].
- 6.39 We have carefully considered this evidence, alongside the other metrics provided by FNZ in its submissions. We place limited weight on this evidence for the following reasons:
- (a) The data captured only a small number of platforms and, in particular, only allowed comparison against one Non-Retail Platform.¹⁴⁷
 - (b) The two datasets submitted by FNZ relating to April 2020 and January 2021 showed significant differences in the distribution of accounts by different asset sizes for the same platforms. For example, in the original

Representations Meeting of 2 March, in which, for instance, FNZ submitted evidence suggesting that Borderline and Non-Retail Platforms must offer a wide range of tax/pension wrappers. In the same presentation, more generally, FNZ submitted that all Borderline and Non-Retail Platforms offer mainstream assets because all investors need these assets for efficient asset allocation.

¹⁴⁶ For example, we found that certain Retail Platforms were set up to be used by independent financial advisers, whereas others are intended to be used only by that Retail Platform's in-house financial advisers.

¹⁴⁷ FNZ provided data on six platforms in the Phase 2 Inquiry, and 17 platforms in the Remittal Inquiry. Of these, only Brooks Macdonald has been classified as a Non-Retail Platform, rather than a Retail Platform or a platform with both Retail and Non-Retail elements as described below and in Appendix H.

dataset, [X] had less than [X] of accounts with more than £100,000 AUA, whereas in the more recent data, [X] of accounts have AUA of more than £100,000. FNZ submitted that this is consistent with (i) customers making regular new contributions into their accounts over the course of the year and (ii) market movements which could lead to assets in an account growing over time, in particular impact from the on-going Covid-19 crisis, that led to a significant market downturn in March-April 2020, from which the market subsequently recovered in the ensuing months. Nevertheless, we have concerns as to the weight which can be attached to metrics which change to this extent and how far they reflect the characteristics of the end users of the platforms or the needs of the platforms to serve them. We therefore do not consider this data to be a reliable basis on which to draw conclusions.

- (c) Importantly, this analysis and the other metrics provided do not reflect all likely relevant differences between different types of Investment Platform. Our view is that FNZ's analysis of the distribution of customers by size of assets for a number of different Investment Platforms supported by FNZ does not show that Non-Retail Platforms would require the same or similar solutions to Retail Platforms, as it does not reflect important differences in the customer bases of the examples of Investment Platforms that FNZ provided. As such, and as noted above, we put more weight on third party evidence, tender analysis and internal documentary evidence as indicators of substitutability (which reflect more holistic view of the requirements of platforms and their end users).

- 6.40 Despite the limited weight we attach to this evidence, as mentioned above, we have taken into account the lack of a clear boundary in such characteristics between platforms which are classified as only being Retail Platforms and those which have both Retail and Non-Retail elements within our analysis (see paragraph 6.47 and 6.102).

Convergence of Investment Platforms and their requirements

- 6.41 FNZ submitted that there has been convergence in the market between types of Investment Platform. We examined the extent to which differences between Investment Platforms and their Platform Solutions requirements remain. In general, greater convergence between Investment Platforms would be liable to lead to Investment Platforms and their Platform Solutions requirements becoming more similar and, consequently, to a greater likelihood of demand-side substitution.
- 6.42 Almost all of the twenty-five third parties that gave a view on convergence said that there had been some convergence, but their views were mixed as to

its extent. Even respondents who said that there has been a significant movement towards convergence considered that, overall, material differences still remain between Retail and Non-Retail Platforms and their requirements.

6.43 For example:¹⁴⁸

- (a) an FNZ customer said that some convergence has taken place over the last three to five years whereby suppliers of Retail Platform Solutions have developed some functionalities that are typical of Non-Retail Platforms, such as the capabilities of Discretionary Fund Managers. It also said that convergence is more limited in the other direction, as there is little evidence that suppliers of Non-Retail Platform Solutions have built pension functionalities. For this reason, it believes there is a clear demarcation between Retail Platforms and Non-Retail Platforms;
- (b) a consultant told us that the market has started to converge but indicated that this trend had started fairly recently and remained at an early stage; and
- (c) Equiniti noted that '[t]hese two sectors are still largely separate with suppliers typically specialising in one or the other. However, in recent years there is increasing overlap, with retail platforms also servicing advisers who can often look after high net worth clients sometimes with increasingly complex needs; and also private wealth providers looking for more robust and scalable solutions so looking beyond their traditional suppliers who have typically struggled in this respect'.

6.44 Overall we concluded that while there has been some convergence over time in the requirements of Retail and Non-Retail Platforms, they remain distinct product categories. We have taken account of the impact of convergence in our assessment of demand and supply-side substitution below.

The fluid boundaries between the different types of Investment Platforms

6.45 We noted at paragraphs 6.32 and 6.103 that there is some ambiguity at the boundary over whether certain Investment Platforms should be defined as Retail Platforms. In our view, this is to be expected given the degree of product differentiation within the sector and is not incompatible with defining the services received by a category of Retail Platforms as a focal product or for the purposes of identifying a market in which competition may be

¹⁴⁸ In addition to the examples below, see also [redacted]. Further evidence of this ongoing differentiation is given by [redacted].

substantially lessened as a result of the merger. The CAT has acknowledged that the boundaries of a market can be fluid.¹⁴⁹

6.46 FNZ has suggested that our approach to the distinction between Retail and Non-Retail Platforms results in the exclusion from the relevant market of a number of Investment Platforms that, in its view, should be classified as Retail Platforms. We do not agree that this is the case but nevertheless we have considered whether our findings would be different in the event that a wider set of Investment Platforms were considered to be Retail Platforms. In the Phase 2 Final Report we identified a set of platforms as ‘borderline’ platforms, which we included in our analysis as a sensitivity. We have followed this approach below in our assessment of tender evidence in informing demand-side substitution in particular. We set out our approach to taking such platforms into account in our competitive assessment in paragraph 6.103.

6.47 FNZ argued that the CMA failed to take proper account of the behaviour of ‘borderline’ customers and needed to consider three categories of Platform, not two in its market definition exercise.¹⁵⁰ We do not consider that the platforms classified as ‘borderline’ in the Phase 2 Report form a distinct category or product market in themselves, as such customers do not have a distinct set of requirements, nor a recognised set of suppliers concentrated on these customers. Platform requirements vary from platform to platform, and two platforms being regarded as ‘borderline’ does not necessarily mean they have a common set of requirements. Instead so-called ‘borderline’ platforms share some characteristics of both Retail and Non-Retail platforms (so some or all could plausibly fall into either category).¹⁵¹ We consider these platforms as part of our assessment below of demand and supply-side substitution (for example 6.66, 6.74 and 6.87). Any constraints from suppliers of Non-Retail Platform Solutions on the Parties have been taken into account within our competitive assessment.^{152,153}

¹⁴⁹ See *Tobii AB (Publ) v Competition and Market Authority* [2020] CAT 1, paragraph 336, in which CAT stated: ‘it is quite possible for one product to be part of a narrowly defined market within a larger market, as well as being within what could be defined as a separate market, and that the boundaries of a market may be fluid’. In *British Telecommunications PLC v Office of Communications* [2017] CAT 25, the CAT also stated that a ‘decision may not hinge on the precise boundaries of the market in question’.

¹⁵⁰ NoA, paragraph 49.

¹⁵¹ FNZ therefore mischaracterised our use of the ‘borderline’ designation in the Phase 2 Report in stating there are three categories of customer not two. NoA, paragraphs 23 (b) and 47 (b).

¹⁵² We have included analysis of suppliers of Non-Retail Investment Platform Solutions in our competition analysis, including sensitivities where so-called ‘borderline’ platforms are included alongside Retail Platforms in our analysis of tenders and shares of supply to ensure that all competitive constraints on the Parties were fully reflected.

¹⁵³ See Chapter 8 and Appendices I and H.

Provisional conclusion on Investment Platform types

- 6.48 Overall, we found that the term Retail Platform is widely understood and used by suppliers, customers and consultants; third parties provided similar descriptions for each Investment Platform type. There has been some convergence over time in the requirements of Retail and Non-Retail Platforms and many of the core functionalities across these platforms are similar, so there is not a 'bright line' distinction between different platform types. However, even taking into account these factors, we consider Retail Platforms can be viewed as a separate set of customers who require Retail Platform Solutions. Similarly, the fact that the boundary of the market is not distinct does not prevent us from defining a distinct product market for Retail Platform Solutions. The CAT has acknowledged that the boundaries of a market can be fluid. The question is to what extent customers are willing to substitute to alternatives (Non-Retail Platform Solutions providers), which we evaluate below.

Demand- and supply-side substitution between Retail and Non-Retail Platform Solutions

- 6.49 Taking as our starting point the different types of Investment Platform set out above, we currently consider that any similarity between the supply of Retail Platform Solutions and their characteristics, and how they are used by end-customers, do not necessarily support widening the candidate product market in which the Parties overlap.
- 6.50 In addition, in order to determine whether our candidate market should be widened to include providers of Non-Retail Platform Solutions, we considered the propensity of customers to substitute to other providers in response to a SSNIP.

Demand-side substitution

- 6.51 From a demand-side perspective, the relevant product market is the set of products that customers see as close substitutes when they respond to a worsening offer (such as a price increase) in one product.¹⁵⁴ In bidding markets, the products which customers select towards the final stage of a tender indicate which products customers see as closely competing.
- 6.52 We assessed whether differences existed between the requirements of Retail Platforms and Non-Retail Platforms and, if so, whether those differences

¹⁵⁴ MAGs, paragraph 5.2.5.

meant that some suppliers are better suited to serve one group of customers than another and, therefore, can be considered to be close substitutes.

- 6.53 This approach allows us to focus not only on specific capabilities, but also to take account of the roles played by brand, reputation, user experience, and track record, which the available evidence shows are key considerations for customers when selecting a Platform Solutions provider.
- 6.54 As such, in the rest of this section we look at the differentiation of customer requirements for Platform Solutions, based on evidence from third parties, tender analysis and the Parties' internal documents and FNZ's representations.
- 6.55 Overall, we found that the following evidence indicates limited demand-side substitution:
- (a) Retail Platforms do not see Non-Retail Platform Solutions suppliers as credible alternatives as these generally lack or place lower importance on certain functionalities (eg pension wrappers) and the extent of automation required by Retail Platforms. Even where they could provide similar functionalities to those required by Retail Platforms, they lack experience and track record in serving Retail Platforms, which is seen as important by customers.
 - (b) Competitors and other third parties considered that there was a distinction between the capabilities of Retail Platform Solutions providers and Non-Retail Platform Solutions providers which would make it difficult for Retail Platforms to switch to providers of Non-Retail Platforms Solutions.
 - (c) Whilst some suppliers of Non-Retail Platform Solutions compete in some Retail tenders, their participation is less common than that of suppliers that are focused on Retail Platform Solutions, both at early and late stages of the tender process, which indicates that these suppliers are less credible alternatives to suppliers of Retail Platform Solutions.
 - (d) The Parties' internal documents show that the Parties recognise that requirements of Investment Platforms vary, and that different suppliers are focused on different platform types.
- 6.56 We note that greater convergence between Investment Platforms would be liable to lead to Investment Platforms and their Platform Solution requirements becoming more similar and, consequently, to a greater likelihood of demand-side substitution. In contrast, the greater the degree of differentiation between Investment Platforms and their requirements, and the Platform Solution suppliers serving them, the less likely customers will be willing to switch

between them. As we explained above in paragraph 6.41 to 6.44, although there has been some convergence between different types of Investment Platforms, and some Non-Retail Platforms provide similar core functionality, there remain key differences between Retail Platforms and other Investment Platforms (as described above). Similarly, even though Retail Platforms and other Investment Platforms can both serve similar types of investors, the products can be distinguished. We have taken account of these points in considering whether the product market should be widened to include other types of Investment Platform based on the ability of customers to substitute between Retail and Non-Retail Platform Solutions and whether different suppliers of Platform Solutions can meet the requirements of both Retail Platforms and Non-Retail Platforms.

- *Third party evidence*

6.57 Evidence from third parties indicates that there are differences between Platform Solution suppliers that affect the extent to which they can compete to supply different types of Investment Platforms, and hence limits the degree to which customers of Retail Platform Solutions would substitute to Non-Retail Platform Solutions in response to a SSNIP.

6.58 Evidence from customers indicated that Retail Platform Solutions accommodate more commoditised investment products, such as pensions, and have highly automated and efficient systems for operating at scale and managing a large number of investor accounts. Conversely, Non-Retail Platform Solutions are less automated and have more manual processes in place to accommodate more complex and bespoke requirements. Pensions capabilities are either not required or are significantly less important to Non-Retail Platforms. In particular:

(a) An FNZ customer, [redacted], told us that there is a relatively clear demarcation between Retail Platforms and Non-Retail Platforms and their required functionalities. It said that Retail Platforms typically automate key functionalities that must be directly accessed by both end-investors and advisers and enable Retail Platforms to operate at scale. It said that while tax wrappers, such as ISAs and General Investment Accounts, are simple to administer, pension wrappers are more complex, require skills and experience that are in short supply in the market, and are typically offered by suppliers of Retail Platform Solutions. It said that ‘advisers and [Discretionary Fund Managers (DFMs)] operating in Retail Platforms will demand more sophisticated functionalities, however this demand is limited by the need to ensure the instrument is appropriate for a retail investor’. It identified FNZ, GBST and Bravura as able to meet its needs,

while for [REDACTED], [REDACTED] and [REDACTED] it stated these companies had a banking background, and it would require further investigation to ascertain whether they would be suitable based on regional fit and functionality and gap of the evolving Digital Wealth Management Platform market.

- (b) Another customer, Lloyds Banking Group, said that Retail Platforms are characterised by large volumes of investor accounts, less complex investments, and are focused on operating at scale with low costs as margins are low. It also said that Non-Retail Platforms have wealthier investors and offer more complex and bespoke investments, which makes advice relatively more important.
- (c) Another customer, [REDACTED], said that all platforms broadly do the same thing. However, there is differentiation across them. Some platforms are more focused on keeping prices low by only providing more basic investments and services. The premium platforms have extra functionality, higher levels of support and a wider range of more sophisticated investment options. It noted that having proven capabilities to manage significant volumes, together with all the associated customer records being accurately updated is critical, and it is essential that the tax wrappers are an integral part of the platform Software solution for a Retail platform operating at scale. It stated there are only a limited number of providers that have proven experience in the UK Retail Platform market with a sizeable, mature platform business, identifying these as Bravura, FNZ and GBST (and possibly SEI in future).
- (d) Another customer, Sanlam, said that it was difficult to find a single supplier that could handle all of its platforms in one due to the different pensions products it offers and the need to support more than the standard wrapper most providers offer.

6.59 Evidence from competitors and consultants also considered that there was a distinction between the capabilities of Retail and Non-Retail Platform Solutions providers in line with those described by customers above, limiting the ability of customers to substitute between them. In particular:

- (a) A competitor, Bravura, said that 'Retail and Non-Retail Platforms continue to have common capabilities, but the specific requirements of each market mean that these remain separate disciplines, requiring different technology solutions.' Bravura said that suppliers of Retail Platform Solutions, such as FNZ, Bravura and GBST, do not readily support bespoke portfolio management, while Non-Retail Platform Solution suppliers, such as JHC, Pershing and Third Financial, do.

- (b) Another supplier, Avaloq, told us that ‘technology sourcing tends to be disparate, there are limited providers that could do it all’ and that ‘the distinguishing factors between itself and FNZ and GBST is the customer base and complexity of the investment asset class.’ Avaloq also told us that it can deal with different jurisdictions and significantly more complex products than suppliers of Retail Platform Solutions. It said that it does not need to offer pensions functionality to compete for Non-Retail Platforms, whereas it would need to develop this capability to compete for Retail Platforms that require this, such as those used by Independent Financial Advisers.
- (c) Another supplier, [REDACTED].
- (d) Another supplier, Pershing, said that the ability to operate at scale and to offer pension wrappers is critical to Retail Platforms. Pershing noted that, while it can serve both Retail Platforms and Non-Retail Platforms, its ‘current customer base is more weighted towards Non-Retail Platforms with its inherent requirements’.
- (e) Another supplier, [REDACTED], said that suppliers like FNZ, GBST and Bravura have direct processes in place to deal with a wide range of assets, are scalable and able to interact with external advisors. [REDACTED] further said that suppliers such as Avaloq have different strengths, especially banking and discretionary functionalities.
- (f) A consultant, the Lang Cat, said that different segments of the financial technology market ‘have different customer behaviours in terms of how they invest, how frequently they invest, changes to their portfolio and the channels which they use to distribute their funds’. It said that suppliers such as Temenos and Avaloq deliver a more bespoke experience and would need to invest in automation of processes to be able to supply to retail platforms.
- (g) Another consultant, EY said that, unlike other suppliers (such as Avaloq), GBST and Bravura operate in the ‘retail investment side of the market’ where pension functionalities are more important. It said that FNZ operates in this market but also has wealth management capabilities.

6.60 The qualitative evidence set out above is consistent with the views that customers, suppliers, and consultants provided when we asked them to provide scores on how close alternative suppliers, including the other Party, are to FNZ and GBST. This evidence indicates that suppliers which solely or predominantly focus on Non-Retail Platform Solutions (Pershing, Avaloq and

Temenos) are not as close alternatives to the Parties as other suppliers of Retail Platform Solutions.¹⁵⁵

- 6.61 Evidence from third parties also indicates that suppliers are typically focused on either Retail Platforms or Non-Retail Platforms. We recognise that FNZ may be an exception to this trend, as third parties submitted that FNZ has a broad range of capabilities and has had some success in competing for Non-Retail customers in addition to its primary Retail Platform offering.¹⁵⁶
- 6.62 On the basis of the evidence summarised above, we currently consider that there are some differences between Platform Solution suppliers that affect the extent to which they are viewed as effective competitors by different types of Investment Platform; in particular, suppliers of Non-Retail Platform Solutions tend to be focused on meeting the requirements of those Platforms and are not normally well suited to supplying to Retail Platforms. Retail Platforms therefore do not consider them as credible alternatives, suggesting that they would not switch to Non-Retail Platform Solutions in response to a SSNIP.
- *Tender analysis*
- 6.63 We analysed tenders in order to ascertain whether there was any demand-side substitution between Retail Platform Solutions and Non-Retail Platform Solutions. If the product market were wider than Retail Platform Solutions then we would expect to see suppliers of Non-Retail Platforms Solutions appearing regularly in these tenders, indicating that they are viewed as potential substitutes by customers.
- 6.64 Our analysis shows limited demand-side substitution: overall, suppliers of Non-Retail Platform Solutions do not tend to participate or win tenders for Retail Platform Solutions. Evidence from both the early and final stages of a tender shows that Non-Retail suppliers have a limited presence in tenders for Retail Platform Solutions.¹⁵⁷
- 6.65 In addition, in tenders for Retail Platform Solutions where the Parties overlapped, suppliers that specialised in serving Non-Retail Platforms did not compete significantly.¹⁵⁸

¹⁵⁵ See Chapter 8, section Closeness of competition between the Parties and also Appendix K.

¹⁵⁶ We have set out third party views on which suppliers focus on Retail Platforms and Non-Retail Platforms in Appendix J and K.

¹⁵⁷ See Competitive constraint from alternatives section in Chapter 8 and Appendix G.

¹⁵⁸ Appendix J presents the alternatives to the Parties in Non-Retail tenders, at both early and final stages, and the winners on those tenders. This assessment shows a predominantly different set of suppliers competing in tenders for Non-Retail Platforms to those competing for Retail Platforms.

6.66 We also found that some suppliers of Non-Retail Platform Solutions compete in some tenders for Retail Platform Solutions and some tenders which may involve both Retail and Non-Retail elements (ie for platforms previously referred to as ‘borderline’ platforms).¹⁵⁹ However, their participation is materially less common than that of suppliers focused on Retail Platform Solutions, both at early and late stages, and so indicates that these suppliers are less credible alternatives to suppliers of Retail Platform Solutions. This again shows limited demand-side substitution.

6.67 We consider, therefore, that the tender evidence indicates that customers do not consider suppliers of Non-Retail Platform Solutions to be close alternatives to suppliers of Retail Platform Solutions, and customers of Retail Platform Solutions would be unlikely to switch to Non-Retail Platform Solutions in response to a SSNIP.

- *Internal documents*

6.68 We collected over 18,000 documents in total and, having filtered these, focussed our analysis on a small number of documents which were of most relevance to our assessment.

6.69 The Parties’ internal documents show that the Parties recognise that requirements of Investment Platforms vary, and that different suppliers are focused on different platform types.^{160,161,162}

6.70 The Parties do not routinely segment customers in their internal documents, or comment on the extent to which other suppliers are focussed on certain types of customer (such as Retail or Non-Retail). Where they do analyse different customer segments, a variety of approaches are used, such as the type of ‘retail channel’ employed by the platform (direct to consumer or via investment advisers), the type of end-investor being targeted, or the type of institution operating the platform.

- *FNZ submissions on demand-side substitution*

6.71 FNZ stated that:

¹⁵⁹ See Competitive constraint from alternatives section in Chapter 8 and Appendix J.

¹⁶⁰ See Appendix D, paragraph 1 for screenshot and Appendix C, paragraph 1 for more details.

¹⁶¹ See Appendix C, paragraph 2 for more details.

¹⁶² See also Appendix D, paragraph 3 for screenshots and Appendix C, paragraph 3 for more details.

- (a) we should put less weight on qualitative questionnaire responses and more on 'objective' data which shows there is 'no credible basis on which to identify a distinct market for the supply of 'Retail Platform Solutions';¹⁶³
- (b) we did not give due consideration to specific platform functionalities (ie our outline of the differences and similarities between Retail Platforms and Non-Retail Platforms was vague and failed to address evidence submitted by FNZ in this respect). It stated we failed to identify what functionalities Borderline and Non-Retail Platform Solutions suppliers lack nor why those shortcomings are sufficient to prevent demand-side switching in the event of a SSNIP;¹⁶⁴
- (c) our assessment was focussed on current market conditions and failed to assess the reactions by relevant platforms in response to a SSNIP or degradation in quality¹⁶⁵ It also submitted that the CMA has not tested the extent to which a Retail Platform would be willing to switch to a provider with less experience supplying 'Retail' customers in the UK in the event of a price rise / decrease in quality;¹⁶⁶ and
- (d) where Non-Retail Platforms contain both retail and non-retail elements, suppliers of Platform Solutions to these Platforms must be able to also provide Retail Platform Solutions and would be a substitute to providers of Retail Platform in the event of a SSNIP.¹⁶⁷

6.72 As explained above, we do not agree that similarity in functionality is sufficient to demonstrate that customers of Retail Platform Solutions would switch in response to a SSNIP. In determining whether it is appropriate to widen the candidate market to include Non-Retail Platform Solutions, we have not focused only on the requirements and function of these type of Investment Platforms. We also considered customers' and suppliers' ability to substitute based on a range of evidence, rather than just undertaking a static assessment of the conditions.¹⁶⁸ We therefore do not agree that we have given inappropriate weight to evidence from third party responses.

6.73 We do not agree with FNZ that it is necessary to ask customers directly how they would respond to a SSNIP, for the reasons set out in paragraphs 6.10 to 6.16 to above. Instead, the range of evidence that we have gathered on

¹⁶³ FNZ Remittal Submission, 9 March 2021, paragraph 1.3.

¹⁶⁴ NoA, paragraph 48c(i).

¹⁶⁵ NoA, paragraph 48c.

¹⁶⁶ NoA paragraph 48d(v).

¹⁶⁷ NoA, paragraph 48c.

¹⁶⁸ We therefore do not agree with FNZ's submission that the CMA's analytical focus is limited to current market conditions, rather than switching behaviour in event of hypothetical price increase/quality decrease (NoA paragraph 48c(ii)).

substitutability (including from our tender analysis and internal documents) allows us to assess the likelihood that customers would switch to providers of Non-Retail Platform Solutions in response to a SSNIP. The direct evidence from customers suggests that Non-Retail Platform Solutions providers offer a different service and do not compete strongly with Retail Platform Solutions providers. This is also supported by evidence from tenders, set out at paragraphs 6.63 to 6.67 above. As set out above and in Chapter 7, customers take account of a wider set of criteria including the quality and track record of the provider in the supply of Retail Platform Solutions. Furthermore, our sensitivity analysis (described below) ensures that we are taking account of the potential constraint from providers of solutions to all platforms that could plausibly fall within the Retail Platform definition.

- 6.74 Even where Non-Retail Platforms have some Retail elements (ie platforms previously referred to as ‘borderline’ platforms), this does not necessarily mean that Retail Platform customers will be willing to switch to suppliers of such platforms in response to a SSNIP. As set out above, we have considered evidence of which suppliers are competing in tenders in practice, and which suppliers are viewed by customers as being viable competitors in order to assess this question.
- 6.75 On the basis of the evidence summarised above, we currently consider that there are differences between Platform Solution suppliers that affect the extent to which they can compete effectively to supply different types of Investment Platforms; in particular, suppliers of Non-Retail Platform Solutions tend to be focused on meeting the requirements of those Platforms and are not normally well suited to supplying Retail Platforms, and lack a track record in doing so. Retail Platforms therefore do not consider them as credible alternatives.

Supply-side substitution

- 6.76 The boundaries of the relevant product market are generally determined by reference to demand-side substitution alone.¹⁶⁹ We also considered whether providers of Non-Retail Platform Solutions would have the ability and incentive quickly (generally within a year) to shift capacity between different Platform Solutions in response to a SSNIP.^{170,171} We found that supply-side substitution was likely to be limited. Very few suppliers supply both Retail Platforms and Non-Retail Platforms, including those with some Retail

¹⁶⁹ MAGs, paragraph 5.2.17.

¹⁷⁰ MAGs, paragraph 5.2.17.

¹⁷¹ While we have considered this issue as part of the Market Definition analysis here, we note that these issues are also relevant for our assessment of entry and expansion (see Chapter 9, Countervailing factors).

elements (FNZ is unusual in this respect). Furthermore, competitors told us that it would generally take time and would be costly to invest in the specific functionalities required to compete effectively in offering Retail Platform Solutions, and some indicated the available returns would not make this attractive.

- *Third party evidence*

- 6.77 We found that customers typically ask for information on suppliers' current capabilities and whether they are able to provide a specific functionality in the early stages of tenders for Retail Platforms. As set out in Appendix E, selection criteria also typically include corporate capability and culture (including supplier's core business and strategy aligned with the platform, financial stability, market reputation, track record, breadth and depth of expertise), regulatory, risk and compliance and migration capability, and commercial and contractual terms.
- 6.78 We note that the third party evidence set out in relation to demand-side substitution (paragraph 6.59 to 6.61) also indicates that there is limited supply-side substitution because there are some differences between Platform Solution suppliers that affect the extent to which they can compete effectively to supply to different types of Investment Platforms.
- 6.79 We asked suppliers of Platform Solutions and consultants to explain how easy it would be for suppliers to Non-Retail Platforms to adapt their Platform Solutions to enable them to compete for Retail Platforms. Out of the nine respondents that gave a view, seven considered it would be hard for suppliers to adapt their Platform Solution.
- 6.80 These challenges included the limited opportunities to compete and customers being likely to consider proceeding with an unproven software partner to be too risky. One competitor noted that incumbent suppliers are entrenched, and it would be difficult for a new entrant to win any business and justify the client's business case for moving platforms.¹⁷²
- 6.81 The evidence generally indicates that the task of adapting Platform Solution capabilities is difficult and unattractive:
- (a) SS&C submitted that the need to handle thousands of advisors and hundreds of thousands of underlying retail investors would require wholesale rewriting of code to change operating procedures and working processes. SS&C also submitted that 'radically adapting wealth

¹⁷² See also Chapter 7, section on switching costs.

management software to accommodate the needs of the retail investment platform market, which as a sector remains stubbornly unprofitable, does not appear to hold great appeal’.

- (b) Equiniti said that having pension wrapper solutions fully integrated is a ‘massive challenge’ for Non-Retail Platform suppliers and that being able to support the scalability and the extent of automation required by a Retail Platform would be a major challenge.
- (c) A competitor noted that there were high costs of entry and that any return on investment could only be achieved in the long term.
- (d) [REDACTED] told us that the differences in the complexity of the products offered and in the costs of providing Investment Platform Solutions to Retail and Non-Retail Platforms make its expansion into the Retail segment unviable.
- (e) Temenos told us that [REDACTED].

6.82 By way of exception, two respondents indicated that adapting their Platform Solution may be possible. More specifically:

- (a) Fundscape submitted that Pershing could change the ‘front end’ part of its solution to better meet the requirements of Retail Platforms. Despite customers’ perception of Pershing’s services, we note that Pershing itself considers that it is already able to serve both Retail and Non-Retail Platforms. and
- (b) Another consultant said that Avaloq and Temenos were good examples of firms that are likely to increase their focus and presence in Retail Platforms. However, Avaloq and Temenos told us that [REDACTED]. This position is consistent with the majority of respondents, who did not think that Non-Retail suppliers could easily adapt and pointed to a number of challenges.

- *Tender analysis*

6.83 As noted above in paragraphs 6.65, the assessment of Retail tenders where the Parties overlapped, indicates that suppliers that specialised in serving Non-Retail Platforms did not compete significantly in these tenders.¹⁷³ This also suggests that suppliers of Non-Retail Platform Solutions do not easily

¹⁷³ Appendix J presents the alternatives to the Parties in Non-Retail tenders, at both early and final stages, and the winners on those tenders. This assessment shows a predominantly different set of suppliers competing in tenders for Non-Retail Platforms to those competing for Retail Platforms.

adapt their offer to compete to supply Retail Platforms, indicating limited supply-side substitution.

- *Internal documents*

6.84 At this stage, we found no evidence in the Parties' internal documents that Non-Retail Platform Solutions suppliers exert a material constraint on the Parties' Retail Platform Solutions businesses or that the Parties are concerned that Non-Retail Platform Solutions suppliers would be able to adapt to compete for Retail Platform opportunities. This suggests to us that potential competition from Non-Retail Platform Solutions suppliers is not an important consideration in the Parties' commercial decision-making and consequently is not seen as a competitive threat to their Retail Platform Solutions.

6.85 On the bases of the evidence above, we found, at this stage, that supply-side substitution is likely to be limited.

- *FNZ submissions on supply-side substitution*

6.86 FNZ asserts that in assessing supply-side substitution the CMA had failed to assess:¹⁷⁴

(a) the incremental functionality required for Non-Retail Platform Solutions providers to supply Retail platforms; and

(b) the extent to which Non-Retail Platform Solutions providers would modify the solutions and start supplying Retail Platforms in the event of a market-wide price rise/quality degradation in relation to Retail Platform Solutions.

6.87 In relation to the first point, as noted at paragraph 6.78 above, we asked suppliers and other third parties for evidence of the ease of adapting Non-Retail Platform Solutions to compete for Retail Platform Solutions, which would include taking account of the incremental functionality required. This evidence indicated that supply-side substitution was generally difficult.

6.88 In relation to the second point, in light of this evidence from third parties, and the lack of any evidence that the Parties are concerned about suppliers of Non-Retail Platform Solutions adapting their products, our current view is that it is unlikely that the suppliers of Non-Retail Platform Solutions would have the ability and incentive quickly (generally within a year) to adapt their products to compete for Retail Platforms in the event that prices of Retail Platform

¹⁷⁴ NoA, paragraph 48(d)

Solutions increased by a small but significant extent on a non-transitory basis.¹⁷⁵ We do not currently consider that information on the precise functionality that would be required by different providers to adapt their propositions to be able to fully serve the needs of Retail Platforms (as opposed to offering some of the capabilities required) is necessary to inform this view, given the information gathered from third parties as to their broader willingness and ability to do this.

- 6.89 However, we acknowledge that some suppliers that do not currently serve Retail Platforms do provide Platform Solutions to platforms with both Retail and Non-Retail elements (ie platforms previously referred to as ‘borderline’ platforms). We have seen limited evidence as to the ability of these providers to meet the needs of Retail Platforms (as set out above). However, even if such suppliers may find it easier to supply (at least some) Retail Platforms than Platform Solution suppliers which have no presence in serving platforms with some Retail and Non-Retail elements, we have taken this into account within our sensitivity analysis (as described at paragraph 6.103) and in our assessment of out of market constraints in our competitive assessment.

Provisional finding on demand and supply-side substitution between Retail and Non-Retail Platform Solutions

- 6.90 The evidence above shows that Retail Platforms have specific preferences, which affect their choice of Platform Solutions provider. In line with the MAGs¹⁷⁶, we provisionally consider that Retail Platforms are a distinct customer segment and that it is appropriate to define the relevant market by reference to that customer segment.
- 6.91 Given the evidence that (i) demand-side substitution by Retail Platforms away from suppliers of Retail Platform Solutions, and (ii) supply-side substitution by Non-Retail Platform Solutions suppliers into providing Retail Platform Solutions, are likely to be limited in response to a SSNIP, we have provisionally found that the market should not be widened to include Non-Retail Platform Solutions suppliers.

Platform Solutions for legacy products

- 6.92 We also considered whether we should distinguish within the supply of Retail Platform Solutions between the supply of Solutions to Retail Platforms managing active products on the one hand, and legacy products on the other.

¹⁷⁵ See also Chapter 9 for our assessment of entry and expansion.

¹⁷⁶ MAGs, paragraphs 5.28 and 5.30.

- 6.93 Investment Platforms can allow customers to (i) open and invest in actively marketed investment products, (ii) manage savings and investments held in products which are no longer available to new customers or actively marketed (legacy or heritage products), or (iii) a combination of both. We have considered whether conditions of competition are similar for both active and legacy products such that they should be considered to be in the same market.
- 6.94 On the demand side, there is some evidence that the needs of platforms serving legacy products are different to those serving active products. This leads to different providers serving the different types of platform. [X] told us that many customers will have different strategies and platforms for their own heritage products compared to their future-facing open books, and the nature of the products supported differ, and so choose different Platform Solutions providers for each. GBST submitted that certain companies (like TCS BaNCS) operate solutions for legacy closed books of business, so offer bespoke services to lift out those operations and technologies, but do not focus on providing Investment Platforms which manage new or active investment products.
- 6.95 However, we are aware that in some cases Investment Platforms will seek to use the same platform (and the same Platform Solutions provider) to serve both its legacy and active products.¹⁷⁷ This can particularly be the case where an Investment Platform is seeking to entirely re-platform its products and streamline to using one platform in place of multiple existing platforms, although we note that these are often large and complex undertakings.
- 6.96 Given that Platform Solutions for legacy products can be provided alongside Platform Solutions for active products, on a cautious basis, we considered the supply of Retail Platform Solutions to both active products and legacy products as part of the same relevant market. We have taken account of the differentiation between Platform Solution providers serving legacy and active products as part of our assessment of closeness of competition.

Provisional conclusion on Retail and other types of Platform Solutions

- 6.97 We found, at this stage, that Retail Platform Solutions suppliers do not usually compete closely with Non-Retail Platform Solutions suppliers.
- 6.98 Our provisional view is that Retail Platforms and Non-Retail Platforms have different propositions and serve different groups of investors. Retail Platforms

¹⁷⁷ For example, GBST will provide Platform Solutions to [X] serving both its legacy and open products.

offer more commoditised products, with the provision of tax wrappers such as pensions being a more important element of their offer. Retail Platforms generally have a larger number of investors than Non-Retail Platforms. Consequently, it is more important for Retail Platforms to be highly automated and have efficient systems for managing customer accounts.

6.99 Conversely, we found, based on the current evidence, that Non-Retail Platforms offer more bespoke products and have more manual processes to serve the needs of a smaller number of wealthier investors with more sophisticated requirements. Non-Retail Platforms either do not need pensions functionality, as is the case for some stockbroker platforms, or it is less important as is the case for some PCIMs and private banks.

6.100 The different requirements of Retail Platforms and Non-Retail Platforms have led to the suppliers of Platforms Solutions tending to specialise in serving one or the other type of platform. We found that:

(a) while there is some (relatively recent) convergence between the two types of Investment Platforms, material differences remain between Retail Platforms and Non-Retail Platforms and between the suppliers of Platform Solutions that they regard as close alternatives;

(b) there is limited competition in tenders for Retail Platforms from suppliers that focus on serving Non-Retail Platforms, suggesting that Retail Platforms do not view Non-Retail Platform Solutions suppliers as close substitutes for, and as being in strong competition with, Retail Platform Solutions;

(c) it would be a lengthy and costly process for Non-Retail Platform Solutions suppliers to adapt their offering; and

(d) even if Non-Retail Platform Solutions suppliers could adapt to provide Investment Platform Solutions to both Retail Platforms and Non-Retail Platforms, Retail Platforms do not see Non-Retail Platform Solutions suppliers as credible alternatives as they lack experience and track record in serving Retail Platforms.

6.101 Although Retail Platforms and Non-Retail Platforms may have some similar requirements, this does not necessarily mean that the services supplied to these Investment Platforms are part of the same relevant market. Overall, the evidence considered above indicates that there is limited demand- and supply-side substitution.

6.102 Product markets are not always defined by reference to bright lines. Some products within a product market may share some similar features with

products in another product market. When considering the supply of Platform Solutions, while there may in principle be some customers that consider Retail Platform Solutions suppliers and Non-Retail Platform Solutions suppliers as closer alternatives (such as Investment Platforms with Retail and Non-Retail elements), any switching or threat of switching by such customers in response to a SSNIP would not protect other customers from price rises, given that suppliers can tailor their terms for each customer.

- 6.103 We have, therefore, not included supply of Non-Retail Platform Solutions within the relevant market. However, our current view is that not all Investment Platforms are clearly a Retail or Non-Retail Platform. We found this is a differentiated market and no Investment Platform is identical to another. While many Investment Platforms have a clear Retail or Non-Retail proposition, some have both elements and there may be closer competition between Retail Platform Solutions suppliers and Non-Retail Platform Solutions suppliers for platforms that do not have a clear Retail or Non-Retail proposition.
- 6.104 As the boundaries of the relevant market are fluid, for the purposes of our assessment, we considered that an Investment Platform was a Retail Platform when the customer has identified itself as a Retail Platform or where both FNZ and GBST have identified the platform in that way. Evidence from third parties shows that the concept of a Retail Platform is widely understood and used by suppliers, customers and consultants.
- 6.105 FNZ has suggested that our approach to the distinction between Retail and Non-Retail Platforms results in the exclusion from the relevant market of a number of Investment Platforms that, in its view, should be classified as Retail Platforms.¹⁷⁸ We do not agree that this is the case but nevertheless we have considered whether our findings would be different in the event that a wider set of Investment Platforms were considered to be Retail Platforms, and accordingly, the Platform Solutions providers to those additional Investment Platforms were competitors in the product market. This has allowed us to test whether our competition assessment, particularly with regard to shares of supply and tender analysis, would be affected by including a wider set of Investment Platforms and their Platform Solutions providers in the product market. We identified this wider set using third party information, as well as FNZ's and GBST's views (see Appendix H).¹⁷⁹

¹⁷⁸ We note that FNZ's views as to the classification of an Investment Platform's classification do not always align with those of the platform itself ([X]).

¹⁷⁹ FNZ's submission in paragraph 53 of the NoA that the CMA reached conclusions on the competitive assessment without reference to the supposed extra-market constraints is not an accurate representation of the approach we adopted and the factors we considered in the Competition Assessment.

Delivery model

6.106 This section considers whether different delivery models – including Software-only and Combined Platform Solutions (also known as Platform as a Service (PaaS)) – should be included within the same product market.

FNZ and GBST submissions

6.107 At Phase 1 of the CMA's investigation, FNZ submitted that:

- (a) the product market definition should include all delivery models including Software-only Platform Solutions and Combined Platform Solutions (which FNZ refers to as PaaS) and their variations;
- (b) the choice of delivery model does not, as a practical matter, change the totality of the Platform Solutions that must be procured. FNZ further stated that all delivery models are credible alternatives for customers and, as such, all form part of the same market;
- (c) suppliers with different delivery models compete against each other, including in tenders. FNZ said that customers may invite suppliers operating different models to participate in the same tender process and can decide the delivery model at any stage of the procurement process, including the final selection stage;
- (d) it is not unusual that suppliers of Combined Platform Solutions lose bids to suppliers of Software-only Solutions and vice versa; and
- (e) customers frequently combine suppliers (including their own self-supply models) to achieve a complete Platform Solution.

6.108 In the Phase 2 Inquiry, FNZ said that both Software-only Solutions and Combined Platform Solutions offer a constraint to FNZ, but added that:

- (a) Different delivery models have different characteristics and, as a result, cater to customers with distinct preferences. While suppliers with different models (Software-only Solutions or Combined Platform Solutions) bid against each other, [redacted]. FNZ submitted that this demonstrates that suppliers of Software-only Solutions and Combined Platform Solutions do not compete closely.¹⁸⁰

¹⁸⁰ FNZ response to the phase 2 Issues Statement, paragraphs 2.4-2.6 and FNZ response to the phase 2 Findings, paragraphs 4.2-4.3.

- (b) The 'software alternative is clearly a credible alternative but we are [redacted]. It said that it lost '£[redacted] of assets to software alternatives...but [it] lost £[redacted] to PaaS'.
- (c) It typically only competes against Software-only Solutions at the early stage of tenders where substantive competition does not take place and is not successful beyond this stage in tenders where customers have decided they require a Software-only Solution.
- (d) Partnerships between suppliers of Software-only Solutions and servicing suppliers are not a credible alternative to an integrated PaaS supplier.¹⁸¹
- (e) The [redacted].'

6.109 In the Remittal, FNZ restated its view that the main demand-side consideration for a platform is whether to choose PaaS or Software-Only Solutions. It submitted that these delivery models offer very different solutions for platform customers.¹⁸²

6.110 GBST submitted that suppliers with different delivery models compete against each other:

- (a) Suppliers with different delivery models compete against each other when customers have not yet decided what type of model of Platform Solutions would work best for them.
- (b) Investment Platforms will often look at all the options available for the model of supply in the beginning of the process, because choosing a model and a supplier is a decision a customer makes every 15-20 years.
- (c) Investment Platforms may prefer Software-only Solutions or Combined Platform Solutions after a certain stage of the tender process, such as post-RFP.

Our assessment

6.111 We have found, at this stage, that all Investment Platforms need to combine software and servicing to form complete Platform Solutions in order to run their platforms. Each component may be provided in-house or outsourced to a third party (either the same third party or two different suppliers).

¹⁸¹ FNZ Initial phase 2 Submission, paragraphs 6.7-6.14; FNZ response to the phase 2 Issues Statement, paragraphs 2.23-2.25; FNZ response to the phase 2 Provisional Findings, paragraphs 3.13 and 4.4; and FNZ response to the phase 2 CMA competition analysis update, section 2.3.

¹⁸² FNZ Initial Remittal Submission, paragraph 4.21

- 6.112 There are two main delivery models for the supply of Platform Solutions when these are not provided entirely in-house:
- (a) Software-only Solutions by a third party such as GBST with servicing provided in-house; and
 - (b) Combined Platform Solutions which includes both software and servicing, either provided by a single supplier or two suppliers.
- 6.113 We examined the extent to which Software-only Solutions suppliers (such as GBST) compete with Combined Platform Solutions offered by a single firm (such as FNZ) in order to determine whether they should be included within the same product market.
- 6.114 To take account of the different ways through which Software-only suppliers can constrain single suppliers of Combined Platform Solutions, we looked at the extent to which Software-only Solutions competed with Combined Platform Solutions either by offering standalone Software-only Solutions or by offering Combined Platform Solutions in conjunction with a servicing supplier, such as the partnership between GBST and Equiniti. We considered the extent to which partnerships are considered a credible alternative to Combined Platform Solutions from a single supplier. Not considering the possibility that Software-only suppliers can also offer Combined Platform Solutions through partnerships would only give a partial view of competition between a Software-only supplier such as GBST and a Combined Platform Solutions supplier such as FNZ.
- 6.115 As explained in more detail below, we found that some customers considered Software-only Solutions (either alone or in partnership with servicing suppliers) and Combined Platform Solutions by a single supplier as credible alternatives. We also found Software-only suppliers and Combined Platform Solutions suppliers competing in a significant number of tenders for Retail Platform Solutions. We did not find evidence to suggest that Software-Only and Combined Platform Solutions suppliers should be treated as separate markets.

Third party evidence

- 6.116 Third parties told us that a supplier's delivery model was important, and many explained that customers will choose between Software-only Solutions or Combined Platform Solutions based on strategic need.
- 6.117 We asked competitors and consultants at which stage in the tendering process customers made their choice between Software-only Solutions and Combined Platform Solutions:

- (a) Just under half (three of the eight) competitors that provided a view said that customers usually form a view on the preferred delivery model early, so that the tendering process would only consider suppliers who offered the preferred model but not both. However, just over half (five of the eight) said that some customers remain undecided for some time in the tender process and consider both.
- (b) All four consultants that gave a view told us that customers will make a decision as to whether to outsource the servicing aspect depending on the cultural fit and strategy of the Investment Platform:
 - (i) Two consultants said that customers typically consider both delivery models very early on in the procurement process, but recognised that this may vary;
 - (ii) One consultant said, [§], most customers will make a decision towards the middle to the end of the process, but before the commercial negotiations stage; and
 - (iii) One consultant told us that some customers will start the tender process having decided which delivery model they are seeking, while others will keep the choice as to whether to outsource the servicing aspect to the later stages of the tender process.

6.118 We found that most third parties consider that partnerships which bring together Software-only and servicing suppliers compete with Combined Platform Solutions provided by a single supplier.¹⁸³

- (a) Most customers (11 out of 18 that gave a view) indicated that partnerships are a credible alternative to Combined Platform Solutions from a single firm. The remaining seven indicated that they more strongly prefer Combined Platform Solutions from a single supplier.
- (b) Three out of five consultants told us that there are challenges in dealing with two different suppliers, but partnerships can be successful and are able to compete against Combined Platform Solutions from a single supplier. One consultant told us that partnerships could provide effective competition, while another told us there is little evidence of partnerships in the UK Retail Platform market.

¹⁸³ See Chapter 8, section Closeness of competition between the GBST/Equiniti partnership and FNZ for more details on third party evidence on the extent to which the GBST/Equiniti and FNZ are considered credible alternatives.

Tender analysis

6.119 Based on the evidence available at this stage, we found that Software-only suppliers, either alone or in partnership with servicing suppliers, and Combined Platform Solutions suppliers were present in the early and final stages of a significant number of Retail Platform tenders.^{184 185} In particular:

- (a) In at least [X] of the [X] tenders for Retail Platforms where we knew the identity of at least two bidders,¹⁸⁶ there was a mix of Software-only Solutions and Combined Platform Solutions suppliers bidding at the early stage; and
- (b) In at least [X] out of the [X] tenders for Retail Platforms where we knew the identity of at least two bidders at the final stage, both Software-only Solutions and Combined Platform Solutions suppliers were present at the final stage.

6.120 We find the same result within the sensitivity case: both Software-only suppliers, either alone or in partnership with servicing suppliers, and Combined Platform Solutions suppliers are present in the early and late stages in a significant number of tenders such that they compete.¹⁸⁷

- (a) In at least [X] of the [X] tenders where we knew the identity of at least two bidders,¹⁸⁸ there was a mix of Software-only Solutions and Combined Platform Solutions suppliers bidding at the early stage; and
- (b) In at least [X] out of the [X] tenders where we knew the identity of at least two bidders at the final stage, both Software-only Solutions and Combined Platform Solutions suppliers were present at the final stage.

6.121 We also note that all the evidence consistently shows that Bravura - a Software-only supplier - is a close alternative to FNZ (on its own or in

¹⁸⁴ Not all Investment Platforms responded to our questionnaire and, therefore, the list of bidders in each tender may not be exhaustive. For this reason, there may be more tenders in the CMA data which included Combined Platform Solutions suppliers competing with Software-only Solution suppliers.

¹⁸⁵ These figures are accurate as far as we have been able to verify bidders in each tender. We consider the following suppliers to offer Software-only Solutions: GBST, JHC, Bravura, Objectway, Temenos, IRESS, Third Financial, InvestCloud, CTC, Aquila, Delta and Sapiens. Avaloq and Dunstan Thomas, who can offer both Software-only and Combined Platform Solutions, were classified as Software-only suppliers in certain tenders where they offered a Software-only solution.

¹⁸⁶ We considered tenders with at least two known bidders at each stage to make an informed comparison over the whether the customer had a preference over the type of supplier. As we may not have complete information on the set of bidders for all tenders, there may be more than eight tenders that could have involved a mix of Software-only and Combined Platform Solutions suppliers.

¹⁸⁷ Not all Investment Platforms responded to our questionnaire and, therefore, the list of bidders in each tender may not be exhaustive. For this reason, there may be more tenders in the CMA data which included Combined Platform Solutions suppliers competing with Software-only Solution suppliers.

¹⁸⁸ We considered tenders with at least two known bidders at each stage to make an informed comparison over the whether the customer had a preference over the type of supplier.

partnership with servicing suppliers), which supports a conclusion that both delivery models should be part of the same product market.

6.122 Our analysis of Non-Retail tenders in Appendix J currently shows that there is a much lower number of Non-Retail tenders where Software-only Solutions and Combined Platform Solutions suppliers overlapped when compared to the numbers for Retail tenders presented above. We currently consider that this finding is consistent with the competitive conditions in the supply of Retail Platform Solutions being different to the competitive conditions in the supply of Non-Retail Platform Solutions.

6.123 Customers can also indicate which elements they intend to outsource and which will be kept in-house.¹⁸⁹ We found that Investment Platforms seeking to outsource both the software and servicing components of their Platform Solutions consider suppliers that can offer both on their own as well as suppliers that offer both via a partnership.¹⁹⁰

Internal documents

6.124 Our analysis of the Parties' internal documents currently indicates that FNZ and GBST identify each other as one of their main competitors, despite the differences in their delivery models. Both Parties' internal documents also refer to other suppliers that provide both Software-only Solutions (Bravura), and Combined Platform Solutions (SS&C).¹⁹¹

Provisional conclusion on delivery model

6.125 We currently consider that Software-only and Combined Platform Solutions Suppliers are part of the same product market. This is due to a material number of customers considering Software-only Solutions (either alone or in partnership with servicing suppliers) and Combined Platform Solutions by a single supplier as credible alternatives. This is further supported by Software-only suppliers and Combined Platform Solutions suppliers competing in a significant number of tenders for Retail Platform Solutions, even up to the final stage of the tender. These tenders reflect how the Parties' different delivery models overlap and compete more closely for some customers.

6.126 The evidence we gathered does not support FNZ's view that differences in the delivery model of each Party are a more significant differentiating factor than

¹⁸⁹ Appendix D illustrates this by showing an example when [§] identified which elements they wished to retain in-house and which elements could be assessed for full or partial outsourcing in their RFP

¹⁹⁰ See Chapter 8.

¹⁹¹ See Chapter 8, sections Closeness of competition between the Parties and Competitive constraints from alternatives, Internal Documents subsections.

the differences between Retail and Non-Retail Platforms Solutions suppliers. In Retail Platform tenders where the Parties overlapped, suppliers that focus on Non-Retail Platforms did not compete significantly.

6.127 We found, at this stage, that some customers prefer one delivery model over another, for example some customers see partnerships between Software-only and servicing suppliers as a poor alternative to Combined Platform Solutions offered by a single supplier. These customers would not protect other customers that would suffer more from any reduction of competition between FNZ and GBST given that suppliers can tailor their terms by customer.

In-house provision of software and/or servicing

FNZ submissions

6.128 FNZ submitted that in-house supply provides a real and credible alternative to third party Platform Solutions, irrespective of the Investment Platform's size, level of sophistication or customer focus. FNZ submitted that:

- (a) Many Platforms self-supply some or all of the components of their Platform Solutions;
- (b) The barriers to switching to an in-house Platform Solution are broadly similar to those applicable to switching to a third party supplier;
- (c) Customers are able to, and in practice do, switch from in-house to third party provision and vice versa in response to a range of commercial and strategic requirements; and
- (d) In-house supply is actively considered and wins in procurement processes.

6.129 FNZ submitted that there are examples of third parties that brought the supply of their software in-house after having previously outsourced it, such as [REDACTED] and [REDACTED].

Our assessment

Third party evidence

6.130 Evidence from competitors, customers and consultants indicates that Retail Platforms increasingly outsource the provision of software, for reasons related to quality, economies of scale and cost.

- 6.131 The vast majority of customers (20 out of 23) that gave a view indicated that the supply of software in-house was not an option for them because of the lack of expertise and budget required to develop and maintain in-house software.¹⁹² This indicates that in-house provision of software is unlikely to be a significant constraint on the Parties.
- 6.132 In contrast, many third parties considered the supply of servicing in-house to be possible. Most customers (14 out of 19) that gave a view said that in-house servicing was a viable option, and a small number had a strong preference for in-house servicing as it is an important part of their customer proposition.¹⁹³
- 6.133 Finally, FNZ provided examples of third parties that brought the supply of their software in-house after having previously outsourced it. However, we consider that these examples are confined to large global institutions¹⁹⁴ which are unusually well positioned to supply software in-house due to their scale and existing strong investment solution capabilities.¹⁹⁵

Tender analysis

- 6.134 Within tenders for Retail Platform Solutions, our tender analysis indicates that in-house supply of software and/or servicing is sometimes a viable alternative, but usually in cases where either the Platform Solutions are already supplied in-house, or the Investment Platform is new and not replacing existing Solutions.
- (a) In-house supply was identified as an option in [REDACTED] of [REDACTED] recent Retail tenders [REDACTED] were won by an in-house solution.
- (b) In-house supply was [REDACTED] as an option where the Platform Solutions requirement was already fully outsourced.¹⁹⁶
- 6.135 The sensitivity analysis found similar results, with in-house supply being identified as an option in [REDACTED] of [REDACTED] tenders. [REDACTED] of these tenders were won by in-house provision of Platform Solutions.¹⁹⁷ In-house supply was [REDACTED] as an option in cases where the Platform Solutions requirement was already fully outsourced.

¹⁹² See also Appendix K.

¹⁹³ We set out further evidence on this in Appendix K.

¹⁹⁴ [REDACTED].

¹⁹⁵ [REDACTED].

¹⁹⁶ We mostly rely on the Parties' information about in-house being considered an option alongside other suppliers, as very few customers included in-house solution in the list of bidders for their tenders.

¹⁹⁷ We are mostly relying on the Parties' information about in-house being considered an option alongside other suppliers, as very few customers included in-house solution in the list of bidders for their tenders.

Internal documents

6.136 We found that in-house Platform Solutions were often mentioned in the Parties' documents [REDACTED]. However, they were [REDACTED] in these documents by either Party, [REDACTED]. The Parties' internal documents indicated that Investment Platforms are more willing to shift from in-house to outsourced Platform Solutions than vice versa.

6.137 The Parties' internal documents also indicated that:

(a) [REDACTED];

(b) [REDACTED]; and

(c) [REDACTED].

Provisional conclusion on in-house provision of software and/or servicing

6.138 We have found, at this stage, that Retail Platforms consider developing software in-house to be difficult and unattractive but are more open to the servicing component being supplied in-house. We therefore provisionally conclude that the relevant product market should include the supply of servicing in-house but exclude the in-house supply of software.

Provisional conclusion on product market

6.139 Based on the evidence set out above, we provisionally found that the relevant product market for examining the effects of this Merger is the supply of Retail Platform Solutions, excluding the in-house supply of software.

6.140 However, we do not consider that market definition is a determinative part of our competitive assessment and we took into account differences in delivery models and out-of-market constraints including from Non-Retail Platform Solutions suppliers and in-house software in our competitive assessment.

6.141 This is consistent with the position set out in the MAGs that identification of the relevant market(s) and the assessment of the competitive effects of the merger in the market(s) should not be viewed as two distinct analyses. In practice, the analysis of these two issues will overlap, with many of the factors affecting market definition being relevant to the assessment of competitive effects and vice versa.¹⁹⁸

¹⁹⁸ MAGs, paragraph 5.1.1.

Geographic market

FNZ and GBST submissions

6.142 FNZ submitted that the appropriate geographic market is global in scope and certainly no narrower than UK-wide. It told us that:

- (a) Customers do not choose suppliers based on their geographic location but consider offerings from a range of capable suppliers irrespective of their location;
- (b) suppliers can offer similar propositions in multiple jurisdictions and the steps required to adapt to regulatory conditions in a new country are not significant;
- (c) all significant Platform Solutions suppliers currently active in the UK originated abroad, and that most of the investment required to develop Platform Solutions is needed to develop the core parts of the technology, rather than to tailor the platform to local requirements; and
- (d) there has been convergence between international regulatory regimes.

6.143 FNZ submitted that GBST, [REDACTED].

6.144 This suggests that FNZ sees a difference in market characteristics between the UK and Australia and, in general, a need for suppliers to plan investments having regard to the unique features of each relevant national market.

6.145 FNZ submitted that while its [REDACTED], they do not support a UK-wide market when considered in their proper context, in particular because:

- (a) [REDACTED]; and
- (b) [REDACTED].

6.146 GBST submitted that:

- (a) In order to enter new countries, a supplier must have a local presence and speak the language, understand the dynamics of the market and the product and tax rule requirements;
- (b) the upfront investment required to 'understand and meet the operating requirements to comply with regulation and tax rules is 'significant'; and

- (c) convincing customers to switch to a new or unknown supplier with no direct UK track record is seen as a ‘very high risk to the prospective customer and potentially the supplier’.

Our assessment

6.147 Our assessment currently shows that Retail Platform Solutions need to meet specific UK tax and regulatory requirements, for example in order to be able to supply particular investment products such as ISAs. We found that:

- (a) The UK tax and regulatory regime is different to that in other jurisdictions; and
- (b) suppliers which provide certain Platform Solutions servicing such as asset custody services must be authorised by the Financial Conduct Authority (FCA).

6.148 Because of these differences, the fact that a supplier is present in more than one country does not indicate that the geographic market is worldwide.

Internal documents

6.149 The Parties’ internal documents seldom discuss the deployment of Platform Solutions to new countries, but those that do show that the process involves adapting to complex country-specific regulatory requirements which may require the help of an external consultant, and customisation to the relevant local market needs in terms of language, currency and compliance.^{199,200,201} Evidence from its internal documents shows that FNZ was required to adapt to local requirements in nine out of ten countries in which it operates.

6.150 We found that the Parties’ documents focus on the UK as a distinct market, rather than as part of a wider European or global market. While some documents also refer to other geographies, we found the UK is considered separately in the majority of the Parties’ internal documents.

FNZ’s recent and planned acquisitions

6.151 FNZ’s recent acquisitions suggest that it sees the acquisition of, or partnership with, established players already active in other countries as a means to overcome regulatory hurdles that prevent the deployment of its

¹⁹⁹ See Appendix C, paragraph 4 for further details.

²⁰⁰ See Appendix C, paragraph 5 for further details.

²⁰¹ See Appendix C, paragraph 6 for further details.

products in new countries, and as a way of obtaining the scale and credibility required to enter those markets in a timely way.²⁰² For example:

- (a) FNZ told us that it saw the acquisition of GBST as an ‘opportunity to grow its presence and offering in Australia which is a key large-scale strategic savings and retirement market for FNZ’. FNZ observed that ‘due to the complexity and market conditions of superannuation administration in Australia, [REDACTED].
- (b) In 2019, FNZ acquired the German investment platform company ‘ebase’ from Comdirect Bank. FNZ said that this: ‘[REDACTED]. With regard to the rationale for that transaction, an FNZ internal document notes that [REDACTED].
- (c) FNZ told us that it has been discussing with [REDACTED].
- (d) Furthermore, FNZ has been in discussion with [REDACTED].

6.152 We currently consider that this evidence indicates that the deployment of Retail Platform Solutions across more than one country requires significant adaptation to country-specific requirements and that having a local footprint is a relevant factor to win customers for Retail Platform Solutions.

Third party evidence

6.153 The views of third parties also indicate that the market is UK-wide due to UK-specific regulatory requirements, the need for investments to make the Platform Solutions compliant with these regulatory requirements, and the need for a significant track record in operating in accordance with the UK regulatory regime.

- (a) Some third parties told us that the complexity of local geographical functional and regulatory requirements, such as pension rules, makes it challenging for suppliers to expand to different countries;
- (b) the majority of third parties indicated that there are significant barriers for suppliers of Retail Platform Solutions to win business in the UK if they do not have a significant track record within the UK, as it signals proven experience in dealing with the UK regulation; and

²⁰² We note that these considerations apply to the Platform Solutions industry in general and placed less weight on considerations referring to the acquisition of Non-Retail Platform Solutions.

- (c) some third parties also noted that, while it is technically feasible to enter from other geographic markets, this would require a significant investment.

Tender data

6.154 Our analysis of customers' tender evaluations highlighted the importance for a supplier of Platform Solutions to offer UK-specific functionalities and regarded previous experience with UK customers as an important advantage.²⁰³ For example:

- (a) Qualitative evidence from [REDACTED] tender evaluation shows that it considered the 'general UK functionality' of the shortlisted suppliers and it undertook a careful assessment of the potential supplier's position in the UK market, including their UK client base, experience, as well as 'commitment' to the UK market;
- (b) when assessing potential suppliers in its 2019 tender, [REDACTED] decided to 'park' [REDACTED] as a 'potential Ancillary supplier for later consideration given it was not able to: 1) meet UK credentials, specifically in relation to scale and SIPP functionality, 2) lacked overall capabilities'. [REDACTED] looked specifically at how [REDACTED] could support 'UK equities, ETFs, investment trusts and fixed income bonds/gilts'. The 'gap analysis' concerning [REDACTED] solution flagged that its [REDACTED];
- (c) in its 2016 tender, [REDACTED] compared the propositions offered by FNZ and GBST. In its comparison, [REDACTED] valued [REDACTED] experience with [REDACTED] and the fact that its technology was '[REDACTED]'. On the other hand, the fact that [REDACTED] had no [REDACTED] experience was considered a high risk due to possible gaps and the need for new development;
- (d) qualitative evidence from the [REDACTED] tender shows that broad experience of operating in the UK and a range of UK clients were considered as key features for the purposes of evaluating alternative suppliers; and
- (e) qualitative evidence from [REDACTED] indicates that both [REDACTED] and [REDACTED] were excluded from the final phase due to their lack of UK functionality and experience.²⁰⁴

²⁰³ Tender evaluations carried out by [REDACTED].

²⁰⁴ We note that this was not a tender for Retail Platform Solutions and have therefore put less weight on this evidence. However, we also note that our considerations on the importance for suppliers to offer UK specific functionalities and to demonstrate previous UK experience apply to the Platform Solutions industry more broadly.

Provisional conclusion on geographic market

- 6.155 We found, at this stage, that suppliers of Retail Platform Solutions must meet specific and complex UK tax and regulatory requirements.
- 6.156 Suppliers of Retail Platform Solutions cannot easily and quickly enter into a new country, given the need to adapt to these different requirements, as well as the importance of experience and reputation in serving customers in a particular jurisdiction.
- 6.157 Accordingly, we provisionally found that the relevant geographic market for the supply of Retail Platform Solutions excluding in-house software is the UK (Retail Platform Solutions in the UK).

7. Nature of competition

- 7.1 In this chapter we assess how competition operates in the supply of Retail Platform Solutions in the UK.
- (a) We first assess the degree of switching and the barriers involved.
 - (b) We then briefly cover what customers look for when choosing a Retail Platform Solution (the main parameters of competition).
 - (c) Finally, we outline the procurement processes and contractual mechanisms that customers employ.
- 7.2 Understanding these market features helps us assess the competitive effects arising from the loss of competition between the Parties as a result of the Merger. This is the focus of the next chapter.

Switching

- 7.3 If the costs of switching from one supplier to another are high, the Merged Entity may be able to raise prices or degrade the quality of products without losing many customers.²⁰⁵ High switching costs can also increase barriers to entry as customers may be less willing to switch to a new supplier.²⁰⁶ High switching costs may weaken the bargaining position of customers and make them less sensitive to changes in the price, quality or service levels.
- 7.4 We assessed how often customers switch suppliers of Platform Solutions and the barriers involved. These barriers include, but are not limited to, financial

²⁰⁵ MAGs, paragraph 5.4.9 (c).

²⁰⁶ MAGs, paragraph 5.8.7. See Chapter 9 for our assessment of Barriers to entry and expansion.

costs (such as implementation fees, exit fees), financial risks (such as the risk of disruption) and time costs (such as time taken to move to the new supplier).

- 7.5 We took account of the Parties' submissions, the Parties' internal documents, third party views and evidence from tenders and customers' tender evaluations.

FNZ and GBST submissions

- 7.6 FNZ submitted that:

- (a) Switching does happen, as shown by its tender analysis where it found [REDACTED] instances of Retail customers switching over the last ten years²⁰⁷ (including a small number currently in progress).²⁰⁸ It said that there is a market trend towards outsourcing which gives Platform Solution suppliers many opportunities;
- (b) The costs of switching can vary significantly depending on whether the customer has a high risk appetite and whether the switch is from a newer or older Platform Solution, as well as [REDACTED];²⁰⁹
- (c) The main risks of switching for customers and Platform Solution suppliers are:
 - (i) [REDACTED];
 - (ii) [REDACTED]; and
 - (iii) [REDACTED].
- (d) Switching costs may range from [REDACTED] to [REDACTED]. It submitted that, even in the worst case, the switching costs were likely to be small in the context of the customer's total revenue and may lead to cost reductions and enhance the customer's ability to grow;
- (e) The supplier [REDACTED];
- (f) The time taken to switch Platform Solutions can also vary but estimated that it could be between [REDACTED] and [REDACTED], although it has known of switches that have taken up to six years;

²⁰⁷ The analysis in FNZ's submission covers the period up to November 2020.

²⁰⁸ FNZ made no further submissions on this in response to our phase 2 Provisional Findings.

²⁰⁹ This submission regarding switching costs applies to both the Software-only Solution and to the Combined Platform Solutions.

- (g) There are no significant barriers to customers switching back from third party supply to an in-house Platform Solution. It noted that:
 - (i) Investment Platforms have the necessary IT skills to build a Platform Solution and they can use consultancies;
 - (ii) Many customers retain part of their servicing in-house, even when using a third party supplier; and
 - (iii) Customers can choose which elements of the Platform Solution to supply in-house.
- (h) The Merger does not impact switching costs or reduce the threat of switching as a competitive constraint; and
- (i) Tenders create a competitive constraint even when switching does not result.

7.7 GBST submitted that:

- (a) Customers rarely switch as it is a significant task and switching generally occurs when the supplier cannot serve the customer;
- (b) Investment Platforms that are going through significant business change (such as acquiring a new platform) and want to review all aspects of the contract may decide to tender and then switch; and
- (c) It believed that switching costs can vary from [X] to [X].

Third party evidence

7.8 We asked third parties to rate how easy it is to switch supplier of software and servicing, with one and five corresponding to 'very easy' and 'very difficult' respectively. Their responses indicated that switching was very difficult.

- (a) For the 23 customers and two potential customers that provided a response, the median rating was five ('very difficult') for both software and servicing; and
- (b) For the ten competitors that provided a response, the median rating was 4.75 ('very difficult') for both software and servicing.²¹⁰

²¹⁰ CMA analysis of the phase 1 third party questionnaires.

- 7.9 No third party told us that switching software supplier was easy. Customers listed several reasons why they consider switching suppliers to be difficult. These included:
- (a) It is risky, complicated, technical, expensive and it can go wrong;
 - (b) a customer that switched to FNZ via another supplier said it has taken up to three and a half years at a total cost of around £185 million;²¹¹
 - (c) another customer noted that the complexity in changing software was because it required data, records and client communications to be moved and needed customer re-training; and
 - (d) another customer said that switching is likely to require a minimum of two years, while another said it would take between 18-30 months.
- 7.10 Submissions from consultants who are often heavily involved in customers' tendering and switching projects suggest that switching costs are high and that switching is not common. These consultants told us:
- (a) 'Providers rarely switch. Clients are wary of changing providers as the associated cost, risk and potential for disruption is exorbitant. Most renewals are an opportunity to renegotiate on aspects of the service that either party is concerned about e.g. pricing, SLAs, KPIs etc.'
 - (b) 'Based on our observations, the majority of UK Retail Platforms that have undergone a re-platforming exercise were replacing Platform Solutions that were between 15 – 25 years in age, indicating re-platforming is an infrequent activity. In addition, based on our observations in the market, switching providers and re-platforming is often costly and difficult and as such there is significant inertia within the market with limited examples of providers switching in the market. From our experience in the market in recent years, we consider most of the major providers of Retail Platform Solutions in the UK to have selected their strategic platform for the near to medium term, however continued M&A activity in the market may give rise to demand for consolidation.'
- 7.11 A letter from the FCA to Investment Platforms indicates that it considers that switching can be risky and expensive for Investment Platforms. In a 'Dear CEO' letter to the Investment Platform portfolio,²¹² it stated that 'poorly

²¹¹ [REDACTED].

²¹² This letter sets out the FCA's view on key harms relevant to the platform sector and its expectations of platform providers. One of the identified harms relates to operational resilience and how the FCA expects firms to have adequately planned change programmes that are thoroughly tested, with clear responsibilities defined up front between firms and any third parties.

planned and executed technology migrations' are exacerbating risks to 'business continuity'.²¹³ An article from the trade press about this letter also notes that the 'cost of re-platforming using third party firms like FNZ, GBST, Bravura and IFDS (SS&C) has spiralled in recent years'.²¹⁴

- 7.12 Despite the costs and challenges involved, the evidence shows that some switching does take place.
- 7.13 SS&C and FNZ both told us that there has been a general removal of older technology by Investment Platforms in recent years. A significant number of Investment Platforms had legacy Platform Solutions which were stopping them from remaining competitive and they considered that they had no option but to switch onto more modern technology.²¹⁵
- 7.14 However, SS&C noted that now that many of the legacy systems have been updated, there is little appetite left in the market to change underlying core systems. It said that Investment Platforms are less likely to switch from their current suppliers now than they might have been in the recent history of the market.

Evidence from tenders

- 7.15 Evidence from tender documents sent to the Parties by potential customers indicates that a substantial part of the procurement process is devoted to understanding the suppliers' ability to help a switch work well, in particular their planning and history of successful migrations. We have seen that customers ask for extensive evidence from suppliers about previous migrations and contact suppliers' current customers to hear about their experiences.²¹⁶
- 7.16 There have been some high-profile examples of switches that have not gone smoothly and resulted in significant disruption for the Investment Platform and their end-investors. In particular, one customer noted that SS&C had experienced significant difficulty in implementing a Platform Solution for two significant customers with 'high-profile delays, cost overruns and functional defects'.

²¹³ [FCA letter](#), 6 February 2020.

²¹⁴ [Money Marketing news story](#)

²¹⁵ [redacted]. FNZ site visit notes, 7 May 2020. FNZ further submitted that this reflects the recent emergence of Platform Solutions and in particular the Combined Platform Solutions model, meaning many Suppliers of Platform Solutions have not yet had the opportunity to consider switching between Combined Platform Solutions suppliers.

²¹⁶ See Appendix E.

7.17 We also examined the outcome of [REDACTED] completed Retail tenders since 2016 (the period for which we have accurate data) where there was an incumbent solution.²¹⁷ We found that:

- (a) The customer switched suppliers in [REDACTED] of these tenders.
- (b) In [REDACTED] tenders where the incumbent Platform Solution was at least partially outsourced to a third party, there were [REDACTED] where the customer changed supplier²¹⁸, while for the [REDACTED], the incumbent Platform Solution was kept.²¹⁹
- (c) In [REDACTED] tenders where the incumbent Platform Solutions was provided solely in-house by the customer, [REDACTED] switched to an outsourced Platform Solution.²²⁰ [REDACTED] did not switch from an in-house solution.²²¹

7.18 We conducted a sensitivity analysis using tenders conducted by a wider set of platforms (including Retail tenders and Sensitivity Only tenders, as discussed in paragraphs 6.46 and 6.103 and in Appendix H). We examined the outcome of [REDACTED] such tenders since 2016 where there was an incumbent Platform Solution.²²² Based on this data, we found that customers are more likely to switch if they are currently operating an in-house platform solution. In summary, the tender data, including Retail tenders and Sensitivity Only tenders shows:

- (a) In [REDACTED] tenders where the incumbent Platform Solution was at least partially outsourced to a third party, there were [REDACTED] where the customer changed supplier,²²³ and [REDACTED] where the winning supplier was one of [REDACTED] incumbent suppliers.²²⁴ In the remaining [REDACTED] the incumbent Platform Solution was kept.²²⁵

²¹⁷ [REDACTED] out of the [REDACTED] Retail tenders are not included in the switching analysis. [REDACTED] tenders are for new Platforms and, therefore, do not have an incumbent solution to switch from. [REDACTED] abandoned before a winner was chosen.

²¹⁸ [REDACTED].

²¹⁹ [REDACTED].

²²⁰ [REDACTED].

²²¹ [REDACTED].

²²² ie the [REDACTED] tenders discussed in paragraph 7.17 and an additional [REDACTED] where the tender was identified as a Sensitivity-Only tender (see Appendix H and Chapter 8, paragraph 8.89), as discussed in Appendices H and J. [REDACTED] was not included because it was for a new proposition and [REDACTED] were not included because they were abandoned before a winner was selected.

²²³ [REDACTED].

²²⁴ [REDACTED].

²²⁵ [REDACTED].

(f) In [REDACTED] tenders where the incumbent Platform Solutions was provided solely in-house by the customer, [REDACTED] switched to an outsourced Platform Solution.²²⁶ [REDACTED] kept it in-house.²²⁷

7.19 This analysis indicates that, even when tendering, customers may not switch suppliers. It also shows that most switching occurs from in-house to outsourced Platform Solutions. This indicates that customers are more willing to switch when they are seeking to outsource their Platform technology provision, but are more cautious of switching when the Platform Solution is already outsourced.

7.20 Overall, the evidence from tenders indicates that Retail Platforms tend not to switch from one external supplier to another, which is consistent with high barriers to switching.

Internal documents

7.21 We found consistent evidence in both Parties' internal documents, including those produced by or for senior management, that they believe switching is [REDACTED].

Provisional conclusion on barriers to switching and the degree of switching

7.22 Switching costs vary across customers, and some customers have switched in the past. However, taking account of the evidence in the round, we found that switching costs are generally high because it is complex, risky, lengthy, and expensive for customers.

7.23 The difficulty involved in switching means that customers' choice of Platform Solutions supplier is a long-term purchasing decision. Switching is typically only undertaken when a substantial change is needed, such as moving from an in-house or legacy system, or if the customer is facing significant changes.

The main parameters of competition

7.24 We assessed the factors important to customers when choosing a supplier, taking into account the long-term nature of purchasing decisions, which arises in part from the difficulty of switching suppliers in this market.

²²⁶ [REDACTED].

²²⁷ [REDACTED].

Evidence from the Parties

7.25 FNZ submitted that the key factors considered by customers when evaluating bids for Platform Solutions were:

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED]; and
- (d) [REDACTED].²²⁸

7.26 GBST submitted that the most important parameters considered by customers when selecting a supplier were:

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED];
- (d) [REDACTED];
- (e) [REDACTED]; and
- (f) [REDACTED].

7.27 GBST submitted that there were other considerations of moderate importance to customers when selecting a supplier, including [REDACTED].

7.28 GBST submitted that the [REDACTED], were of lower importance for customers evaluating bids for Platform Solutions.

7.29 GBST said that the order of significance of the parameters of competition [REDACTED].'

Third party evidence

7.30 Third party responses indicated that the importance of specific parameters of competition depends somewhat on the customer or tender. However, some recurring themes emerged. These were:

- (a) Product development (including R&D);

²²⁸ [REDACTED]

(b) Reputation, including scale and track record;

(c) Product fit; and

(d) Price.

7.31 Customers, consultants and competitors all highlighted the important role of R&D. For example:

(a) Aegon stated that '[i]t is very important that there is suitable provision for R&D to keep the pace with the market and have an element of competitive edge if possible, so underlying investment is key.'

(b) [X] stated that 'R&D and innovation is highly important as it influences the scope, features and functionality of the solution, the channels through which customers interact and therefore is critical to the customer journey.'

(c) A consultant explained that R&D investment maximises efficiency because it increases automation, 'enables the provider to keep up with innovation in the market,' and 'ensures that technology stays relevant because products can become legacy technology very quickly.'

(d) Bravura stated that its 'R&D investment is to keep the functional and technical capabilities of [its] solutions up to date and ensure that [it] can meet the needs of [its] current and prospective clients.'

7.32 Customer responses regarding reputation within the market, including a supplier's scale and track record indicated that a supplier's 'breadth and depth of expertise', history of having 'signed many large clients' to give a 'platform long-term scale', and 'financial stability' are key factors of differentiation between suppliers.

7.33 Product fit, meaning how well aligned a potential supplier's product or proposition is to a customer's specific needs, was repeatedly mentioned as a key factor in differentiating between suppliers. Responses indicated that the range of investment tools, level of automation, ability to integrate into third party systems,²²⁹ and accessibility to end users were important considerations when differentiating between potential suppliers' products.

7.34 Price, including ongoing operational costs and the pricing model, was also repeatedly mentioned as a key factor in differentiating between suppliers.

²²⁹ In terms of effectiveness and speed to market.

Provisional conclusion on main parameters of competition

- 7.35 Consistent with the long-term nature of their purchasing decisions, we found that customers require a high degree of confidence that a potential supplier is committed to developing their Retail Platform Solution and can operate at the necessary scale. Customers therefore seek suppliers with good track records. We found that customers must be satisfied that a potential supplier's product can meet their requirements, as each has unique needs, and will seek suppliers who are well aligned with those. Price is another important parameter of competition. Therefore, good track record, commitment to product development, product fit to the customer requirements and price are important parameters of competition in this market.
- 7.36 The effect of the Merger on all parameters of competition is examined in the competitive assessment in Chapter 8 of this report.

Procurement processes and contractual mechanisms

- 7.37 We found that customers use lengthy procurement processes involving multiple tender stages and commercial negotiations with a final list of suppliers. Even though they switch supplier infrequently, we found that they use these processes, and the prospect of such processes, to maintain competitive tension and extract the best possible terms from incumbent or potential suppliers.²³⁰
- 7.38 Evidence from third parties indicates that there is some competition at the early stage of tenders in relation to capabilities and indicative commercial terms, but that the competition on each of these parameters intensifies at subsequent stages of the tender process.²³¹
- 7.39 FNZ's contractual arrangements with its customers include [X]. FNZ submitted that these contractual arrangements often protect customers to ensure they are always on the most advantageous pricing available.²³²
- 7.40 Contractual arrangements are, in general, unlikely to protect customers from the loss of rivalry that might be brought about by a merger. These arrangements can be renegotiated or terminated over time and, even where this could only be done with bilateral consent, the bargaining power held by each of the parties and wider commercial considerations could have a bearing on their incentives to agree to such changes. Moreover, to the extent that

²³⁰ FNZ told us that tenders create a competitive constraint even when switching does not result.

²³¹ Further details of these procurement process are provided in Appendix E.

²³² FNZ response to the phase 2 Issues Statement, paragraphs 3.5-3.7.

contractual arrangements provide any protection, this protection would be limited to those customers with such arrangements.

- 7.41 Accordingly, we consider that, both in principle and in practice, contractual arrangements would not serve to protect customers following a reduction in rivalry caused by a merger.²³³

Summary of our provisional findings on the nature of competition

- 7.42 We found that switching costs are high for Retail Platforms. Switching to a new supplier of Platform Solutions is complex, risky, lengthy and expensive. Recent failures of such migrations, and the warning by the FCA, have highlighted the risks for both customers and suppliers. Once a customer has switched to a new supplier, they may have little appetite to switch again for a long time. The result is that the choice of Platform Solution is usually a long-term decision.
- 7.43 As a result, customers require a high degree of confidence in the capability of their chosen supplier. Established suppliers with good track-records therefore have a significant competitive advantage over others.
- 7.44 Even if customers only switch supplier infrequently, they use lengthy procurement processes, each stage of which is designed to maintain competitive tension and extract the best possible terms from incumbent or potential suppliers.
- 7.45 The long-term nature of customers' purchasing decisions has resulted in a limited number of tenders to inform our competitive assessment. We considered this further as part of our tender analysis. We also used a wide range of evidence to inform our assessment and ensure that it is not limited to customers that have undertaken a recent tender. This includes evidence from third parties and the Parties' internal documents.
- 7.46 FNZ's contractual arrangements with its customers include benchmarking provisions and an asset-based pricing model, however, we consider that these arrangements would not serve to protect customers following any reduction in rivalry caused by the Merger, both in principle and in practice in this market.

²³³ We considered the potential impact of the specific benchmarking provisions and asset-based pricing model cited by FNZ in Appendix F.

8. Competitive assessment

Introduction

- 8.1 We have assessed whether the Merger would lead to a significant reduction in horizontal competition between the Parties in the supply of Retail Platform Solutions by removing a competitor which previously provided a significant competitive constraint and, in doing so, whether the Merged Entity has the ability and/or incentive to worsen or not improve its offering when assessed against the position absent the Merger. This could result in Retail Platforms facing higher prices or lower quality of services in the future. Ultimately, these higher prices and deterioration in quality can adversely impact UK consumers that rely on Retail Platforms using Retail Platform Solutions. This is a horizontal unilateral effects theory of harm.
- 8.2 The supply of Retail Platform Solutions is a differentiated bidding market characterised by infrequent switching and long-term contracts. There is a range of different solutions providers, each with slightly different offerings; and customers have differentiated needs based on the final products they wish to offer to end consumers/investors. Because of this, the effect of the Merger can vary for each customer group. Since prices and terms are individually negotiated, even if some customers were not significantly affected by the reduction in choice, this would not necessarily protect other customers who are likely to suffer harm as a result of a significant loss of competition.
- 8.3 In differentiated markets, horizontal unilateral effects are more likely where the merged firms are close competitors or where their products or services are close substitutes. The more closely the merger firms compete, the greater the likelihood of unilateral effects.
- 8.4 Given this market context, we have particularly focused on assessing evidence of closeness of competition between the Parties and the extent to which there may be other remaining close competitors after the Merger who could continue to provide a competitive constraint on the Merged Entity.
- 8.5 We took account of a wide range of evidence collected from the Parties and third parties:
- (a) customers, consultants and suppliers gave their views on the strength of competition between the Parties and other suppliers (including in-house supply and out-of-market competitors);
 - (b) we analysed tender data, which showed which suppliers bid for which contracts at various stages of the tender process; and

- (c) we reviewed the Parties' internal documents to assess what these told us about competition between the Parties and with other suppliers.
- 8.6 This evidence, assessed in the round, informed our assessment of the closeness of competition between the Parties and the competitive constraints imposed by other suppliers at present and in the foreseeable future.²³⁴
- 8.7 The structure of this chapter is as follows:
- (a) we present our estimates of shares of supply in the market;
 - (b) we assess closeness of competition between the Parties; and
 - (c) we assess the competitive constraint from alternatives, including in-house and other out-of-market constraints.

Shares of supply

- 8.8 Measures of concentration, such as shares of supply, can be useful evidence of the relative size of each supplier based on its current customer base. However, in differentiated bidding markets, such as the market for the supply of Retail Platform Solutions in the UK, shares of supply do not fully capture the closeness of competition between firms. Accordingly shares of supply have been given limited weight in our competitive assessment.
- 8.9 We have considered the Parties' shares of supply within the market for Retail Platform Solutions.²³⁵ We consider below FNZ's submissions and the results of our assessment.
- 8.10 Our analysis shows that the Merged Entity would be larger than any other provider. FNZ is currently the third largest and GBST the fourth largest supplier of Retail Platform Solutions in the UK. The Merged Entity would be the largest supplier, followed by TCS BaNCS (a highly differentiated supplier) and Bravura. Our sensitivity case, including the wider set of platforms which FNZ has suggested should fall into the Retail Platforms category, shows broadly similar results: FNZ and GBST are currently the largest and fourth largest suppliers respectively, and the Merged Entity would be materially larger than any other provider.

²³⁴ Appendix B presents the details of the evidence we gathered and how we used it in our assessment.

²³⁵ On the basis of assets under administration.

FNZ and GBST submissions

FNZ submissions

- 8.11 FNZ submitted that shares of supply do not meaningfully reflect market power and that the CMA's approach in its phase 1 decision overstated the Parties' shares of the market.
- 8.12 FNZ submitted that the share of supply data reveal that numerous significant competitors will remain post-merger.²³⁶ FNZ considers that shares of supply are not reliable indicators of market power due to customers' requirements for bespoke solutions, the long tender processes and the use of long-term contracts.
- 8.13 FNZ also addressed our use of assets under administration (AUA) as the basis for the share of supply estimates, compared to a revenue-based approach. It submitted that there are weaknesses in both approaches, but that the AUA approach overstates the shares of suppliers which provide a small set of services to customers with high value assets, and that these shares are subject to fluctuation based on the value of customers' assets.²³⁷
- 8.14 FNZ noted that investment accounting software forms 'the core software component supplied' and provided us with its own calculation of shares of supply, based on the identity of the supplier of the investment accounting software (one part of the Platform Solution).²³⁸ Its calculation included all Investment Platforms apart from private banks and in-house software provision.
- 8.15 On this basis, during the Phase 2 Inquiry and by reference to its share of supply estimates at that date, FNZ submitted that:
- (a) the Parties have a combined share of less than [X]%;
 - (b) the Parties have numerous competitors, including SS&C, Bravura, Avaloq, Temenos, SEI and IRESS, with shares larger than, or similar to, GBST's share of [X]%; and²³⁹

²³⁶ FNZ Initial phase 2 Submission, paragraph 1.2.

²³⁷ In particular, FNZ submitted that 'several of FNZ's own clients have seen significant fluctuations in AUA for reasons completely unrelated to FNZ's own competitive performance. For example, AUA on [X] despite the absence of a new contract or increase in scope of the contract.'

²³⁸ FNZ share of supply estimates are provided in Appendix I.

²³⁹ FNZ also submitted that around [X]% of share should attributed to Objectway and part of [X] share should be attributed to PSL.

(c) '[t]he Parties also face strong competition from global players such as TCS BaNCS and Pershing'.²⁴⁰

- 8.16 FNZ also submitted that significant constraints will remain, and that the Merger should not be characterised as a '4-to-3' reduction in suppliers, as Bravura, SS&C and SEI are all major competitors.²⁴¹
- 8.17 FNZ provided separate share of supply estimates for Software-only Platform Solutions and Combined Platform Solutions, which it said showed the lack of substantial overlap between the Parties, as well as highlighting the competitors that are most relevant to FNZ, JHC and GBST (which are not, in each case, the other Party).²⁴²
- 8.18 Some of the above submissions were [REDACTED]. In addition, in the NoA and its Initial Remittal Submission, FNZ submitted that it had identified a number of errors in the share of supply allocations presented in the Phase 2 Report.²⁴³
- 8.19 FNZ stated (notwithstanding its earlier submission that shares of supply do not meaningfully reflect market power) that these errors led the CMA to significantly overstate the strength of the combined entity. FNZ submitted that the Parties' combined share of Retail Platform Solutions was overstated and the shares attributable to other competitors were understated. FNZ further stated that these errors had material implications for the CMA's characterisation of the supply-side structure of the retail market, on which the CMA's SLC finding was founded, in particular because Temenos should not have been omitted entirely, TCS BaNCS's share is significantly higher and Bravura's substantial position in the market is further confirmed.²⁴⁴
- 8.20 Based on our provisional share of supply estimates shared with FNZ's advisors during the course of the Remittal Inquiry, FNZ noted that there were three suppliers other than the Parties with substantial shares of supply: Bravura, SS&C and TCS BaNCS. FNZ submitted that this meant that at least three significant third party competitors would remain even in the narrow retail segment post-Merger (ie in the supply of Retail Platform Solutions), and that 'put simply, the Merger cannot be characterised as giving rise to a '3-to-2' merger'.^{245,246}

²⁴⁰ FNZ Initial phase 2 Submission, paragraph 1.2.

²⁴¹ During the Remittal Inquiry, FNZ noted that this was particularly the case when the Merger is compared to a counterfactual of SS&C acquiring GBST. See Chapter 5 for further details.

²⁴² FNZ response to the phase 2 Provisional Findings, Annex 3, page 1.

²⁴³ [REDACTED]

²⁴⁴ NoA, paragraph 71 and FNZ Initial Remittal Submission, paragraphs 3.3-3.5.

²⁴⁵ FNZ Remittal Submission, 9 March 2021, paragraphs 5.1. and 5.2.

²⁴⁶ See paragraphs 5.12 to 5.16 regarding FNZ's submissions and Appendix G on the effect of the Merger when compared to a counterfactual in which GBST is under the ownership of SS&C.

GBST submissions

- 8.21 GBST told us that, other than Bravura, SS&C and SEI, the competitors mentioned by FNZ should not be part of the narrowest plausible market for the supply of Retail Platform Solutions in the UK because these other suppliers do not have certain functionalities such as pension tax wrappers or because they do not provide Retail Platform Solutions but instead provide other technologies.²⁴⁷
- 8.22 During the Remittal Inquiry, GBST also commented, as relevant for the share of supply analysis, that TCS BaNCS does not compete in solutions for Retail Platforms and that TCS BaNCS's product offering is vastly different from GBST's and FNZ's.

Our assessment

Methodology

- 8.23 Appendix H sets out our approach to classifying Investment Platforms for the purposes of our shares of supply analysis (and tender analysis). Appendix I sets out our methodology for the share of supply estimates, including the additional evidence we considered in the Remittal Inquiry and the changes made to our dataset during the Remittal Inquiry.
- 8.24 We took FNZ's submissions into account in deciding on our approach to estimating shares of supply and made some changes to our calculations as presented in the Phase 2 Report. In summary:
- (a) Consistent with our approach at phase 2, we adopted AUA as the basis for our share of supply estimates rather than a revenue-based approach because AUA figures are readily available from public sources. We consider that this approach ensures greater consistency in the treatment of different platforms and suppliers.
 - (b) Wherever possible, we based our share of supply estimates on information from customers on their main provider of Platform Solutions. Where this information was not available, we typically used the investment accounting software supplier specified by FNZ in its share

²⁴⁷ See also paragraphs 8.166 and 8.167.

estimates. We had customer information for [REDACTED] platforms in our analysis, relying on FNZ's data for the remaining [REDACTED].²⁴⁸

- (c) Where there was uncertainty over which was the main supplier of a given platform, we engaged in further information-gathering to clarify the appropriate approach. This included checking the Investment Platform allocations that were challenged by FNZ in its NoA and Initial Remittal Submission. As a result, based on third party responses, we have not accepted some of the Investment Platform allocations proposed by FNZ in its dataset and submissions; the changes we made to FNZ's dataset and the evidence used to justify them are set out in Appendices H and I.
- (d) We updated the AUA estimates for each platform to reflect the most recent available data, in order to take account of any changes since the Phase 2 Inquiry.

8.25 Following our approach to market definition set out in Chapter 6, we addressed FNZ's assertion that the set of customers within the market for the supply of Retail Platform Solutions was too narrow by testing our results using a wider set of platforms. These are largely based on FNZ's submissions regarding which Investment Platforms should be considered as Retail Platforms, but also reflect information gathered from third parties. This approach reflects FNZ's earlier representations that it is appropriate to consider different sensitivities where the precise boundary of the relevant market is uncertain.²⁴⁹

Our estimates of share of supply

8.26 We calculated UK shares for the supply of Retail Platform Solutions.²⁵⁰ These share of supply estimates are shown in Table 8.1 below. In total, these estimates are based on [REDACTED].²⁵¹

²⁴⁸ However, we necessarily contacted the customers which were most likely to be contentious in this regard, such as where FNZ's data was different than our phase 2 dataset, or regarding the platforms raised as problematic by FNZ in its NoA.

²⁴⁹ RBB response to the phase 2 CMA competition analysis update, 6 October 2020, page 3, states: 'Given the lack of clear distinction between Retail and Non-Retail Platforms, a proper sensitivity analysis is required [...]the results from the sensitivity analysis should be given at least as much weight as those in the base case.'

²⁵⁰ [REDACTED]

²⁵¹ These estimates exclude platforms with in-house solutions or where the Platform Solution provider is unknown. Including these platforms would increase these figures to [REDACTED].

Table 8.1. Shares in the supply of Retail Platform Solutions in the UK (based on AUA) (2020)

	%
Software supplier	Share of supply
FNZ	[10-20]
JHC	[0-5]
FNZ Total	[10-20]
GBST	[10-20]
Parties total	[30-40]
Bravura	[10-20]
Ascentric (via Bravura)	[0-5]
Bravura total	[10-20]
SS&C	[10-20]
TCS BaNCS	[30-40]
Fusion Wealth Limited	[0-5]
IRESS	[0-5]
SEI	[0-5]
State Street	[0-5]
Hubwise	[0-5]
Equiniti	[0-5]

Source: CMA estimates based on the Parties' data. The shares of supply in Table 8.1 present third party software combined with third party or In-House servicing. We excluded AUA of any platforms where the software supplier is unknown.

† [REDACTED].

8.27 Table 8.1 indicates that:

- (a) FNZ is the third largest supplier, with a share of [10-20]%, while GBST is the fourth largest supplier with a share of [10-20]%;
- (b) the Merged Entity would be the largest supplier in the supply of Retail Platform Solutions in the UK, accounting for [30-40]% of the market;
- (c) TCS BaNCS is currently the largest supplier, with a share of [30-40]%; Bravura is the second largest supplier, with a share of [10-20]%; and SS&C is the fifth largest, with a share of [10-20]%.
- (d) there are no other suppliers with a share greater than [0-5]%; and
- (e) Bravura, FNZ, GBST, SS&C and TCS BaNCS together account for more than [90-100]% of the market.

8.28 We note that over [REDACTED]% of TCS BaNCS' share comes from providing Platform Solutions to four Platforms to [REDACTED] large customers, [REDACTED] and [REDACTED]. We discuss below that these are legacy platforms²⁵² and so differentiated from the services provided by the Parties. In addition, most of SS&C's share comes

²⁵² As explained in Chapter 6, legacy or heritage products are closed for new investments and only require the administration of investments concluded before the product was closed to active investments.

from providing Platform Solutions to one large customer, St James' Place. As discussed in paragraph 8.161 and 8.174,1(b) it provides a specific (closed architecture) solution to this customer.

- 8.29 To test the sensitivity of our findings to which platforms are classified as Retail Platforms, we also estimated the Parties' shares of supply using the wider set of platforms which may fall into the Retail category. The results of this sensitivity test are set out in Appendix I.²⁵³ In summary, this test finds that the same five suppliers (Bravura, GBST, FNZ, SS&C and TCS BaNCS) were the largest in the market, that FNZ was the largest supplier in the market, GBST was the fourth largest, and that the Merged Entity would again be the largest supplier in the market, with a [X] share than in our base case.
- 8.30 Compared with the Phase 2 Report, the main change in our results is the higher estimated share of supply for TCS BaNCS. TCS BaNCS' share of supply increased because FNZ submitted that TCS BaNCS supplies [X] of the new platforms it has included in its most recent shares of supply dataset.^{254,255} TCS BaNCS's share also increased as a result of correcting the supplier of the '[X],²⁵⁶ [X]. Diligenta [X]²⁵⁷, [X]. However, we do not think that TCS BaNCS's share of supply is a good indicator of the competitive constraint it places on FNZ or GBST, because it is focused on providing services for legacy products, and is therefore differentiated from the Parties' product offering.²⁵⁸ See paragraphs 6.90 to 6.94 for details on our treatment of legacy products.

Provisional conclusion on shares of supply

- 8.31 In differentiated bidding markets, such as the market for the supply of Retail Platform Solutions in the UK, shares of supply do not fully capture the closeness of competition between firms and accordingly shares of supply have been given limited weight in our competitive effects assessment. FNZ itself has recognised that shares of supply in this market are not reliable indicators of market power. We have not sought to categorise the merger according to a simple count of how many suppliers remain following the merger.²⁵⁹

²⁵³ Appendix I also sets out what the shares of supply estimates would be if we were to adopt FNZ's views on the allocations of customers and AUAs to suppliers. In the base case, these results show that the Merged Entity is the largest supplier in the market, with a slightly higher share than in our estimates.

²⁵⁴ [X], which have AUAs of [X].

²⁵⁵ [X].

²⁵⁶ Which has an AUA of £[X].

²⁵⁷ [X] which have AUAs of £[X] and £[X] respectively.

²⁵⁸ See Chapter 6.

²⁵⁹ FNZ's statement that the Merger should not be characterised as a '4-to-3' reduction in suppliers or 'as giving rise to a '3-to-2' merger' therefore does not reflect our approach in any case.

- 8.32 Our shares of supply estimates for the supply of Retail Platform Solutions and our sensitivity analysis present broadly similar results:
- (a) the Merged Entity would be the largest supplier;
 - (b) the same five suppliers (FNZ, GBST, TCS BaNCS, Bravura and SS&C) are the largest suppliers; and
 - (c) there is a clear difference between the size of the shares held by these five suppliers and the rest of the market.
- 8.33 We do not think that TCS BaNCS's share of supply is a good indicator of the competitive constraint it places on FNZ or GBST, because it is focused on providing services for legacy products, and is therefore differentiated from the Parties' product offering.²⁶⁰ This illustrates one of the reasons why shares of supply have limited usefulness as an indicator of closeness of competition. The inclusion of suppliers such as TCS BaNCS has diluted the shares of the Parties and is a further factor explaining why suppliers' shares are not fully indicative of their competitive strength in the supply of Retail Platform Solutions. We have accordingly focussed our assessment on the closeness of competition between the Parties.

Closeness of competition between the Parties

- 8.34 Generally, the more closely two firms compete, the stronger the competitive constraint they impose on each other. The loss of these constraints, as a result of the Merger, could give the Merged Entity the ability and/or incentive to deteriorate its offering. In cases where the boundaries of the market are not clear-cut, or where there is a high degree of differentiation within the market (as we consider to be the case with Retail Platform Solutions), we consider it appropriate to place limited weight on shares of supply, and rely to a greater extent on other sources of evidence of closeness of competition. This is consistent with FNZ's views that shares of supply are not reliable due to customers' requirements for bespoke solutions, the long tender processes and the use of long-term contracts. This is particularly the case in this market where suppliers of Retail Platform Solutions can individually negotiate pricing and services with customers, including to some extent with customers under existing long-term contracts.
- 8.35 In order to assess the closeness of competition between the Parties (ie FNZ, including JHC, and GBST), we gathered evidence from customers, competitors and consultants, recent tenders, and the Parties' internal

²⁶⁰ See paragraphs 6.90 and 6.94 for our views on legacy products in relation to the product market.

documents. We also considered specific evidence on closeness of competition between the Parties in terms of product development.

8.36 Taking all of the evidence set out below together, we found, at this stage, that FNZ is a strong competitor in the supply of Retail Platform Solutions. FNZ's capabilities in both software and servicing, which are proven at scale, give it a distinct market offering. While GBST does not have its own servicing capabilities, evidence from third parties, tenders and internal documents consistently indicate that FNZ and GBST compete closely with each other.

8.37 We currently consider that FNZ and GBST compete closely for customers that do not consider the different delivery models as a significant differentiating factor or are willing to contract with partnerships to deliver a Combined Platform Solution model, of which there are a material number as evidenced by our tender analysis and views of customers.

8.38 We found, therefore that the Parties compete closely for the following Retail Platform customers:

- (a) GBST customers that are open to a Combined Platform Solution involving the outsourcing of servicing as well as software;
- (b) FNZ customers that are open to Combined Platform Solutions offered through a partnership of two suppliers including the GBST Equiniti partnership; and
- (c) customers of neither Party that are open to Software-only Solutions or Combined Platform Solutions, either through a partnership or from one provider.

FNZ submissions

8.39 FNZ submitted that:

- (a) the Parties are not close competitors, primarily because they have different delivery and pricing models. FNZ competes more closely with other suppliers of Combined Platform Solutions²⁶¹ and different delivery models cannot be close substitutes;
- (b) it cannot be the case that GBST (and Bravura) exert the strongest constraint on FNZ and that suppliers of Combined Platform Solutions (such as SS&C and Pershing) are less important, because most customers have a preference for a particular delivery model and choose a

²⁶¹ FNZ said that this point was supported by its tender data.

delivery model before the tender process and certainly before the commercial negotiations stage;²⁶²

- (c) the absence of [REDACTED].
- (d) FNZ tender data shows that it has only lost one tender to GBST in the past ten years, which was for a very small platform, which had indicated a preference for a Software-only Solution;
- (e) competition between JHC and GBST is limited, as GBST provides a largely complementary offering to JHC, with GBST's Composer not offering a number of key features provided by JHC;²⁶³
- (f) GBST offers [REDACTED] [REDACTED] and it only [REDACTED].²⁶⁴ FNZ submitted that GBST is [REDACTED]. FNZ submits that GBST's [REDACTED] is demonstrated by the [REDACTED], [REDACTED];²⁶⁵ and
- (g) FNZ might well exert a stronger constraint on GBST than GBST does on FNZ but, due to different delivery models, this constraint is not significant in absolute terms nor is it greater than the relative constraint from other Software-only suppliers.

GBST submissions

8.40 GBST submitted that:

- (a) it can compete with suppliers of Combined Platform Solutions when customers have not decided which type of solution they require, or when it partners with a third party to offer a Combined Platform Solution;
- (b) in response to FNZ's submission on [REDACTED], GBST submitted that it has also been providing a Software as a Service (SaaS) proposition since 2009 and that, post-Evolve (its research and development (R&D) programme), Composer will be a market-leading product';
- (c) it has a strong competitive offering, as shown by its recent customer wins²⁶⁶ and [REDACTED]. It submitted that its pipeline of new customers [REDACTED];

²⁶² FNZ response to the phase 2 Provisional Findings, paragraph 4.12(i) and FNZ Initial Remittal Submission, paragraph 2.3

²⁶³ FNZ response to the phase 2 Provisional Findings, paragraph 4.5; FNZ response to the phase 2 Issues Statement, paragraphs 2.26-2.30; and FNZ Initial phase 2 Submission, paragraph 2.7.

²⁶⁴ FNZ Initial phase 2 Submission, Table 2.1.

²⁶⁵ FNZ response to the phase 2 Provisional Findings, paragraph 5.1(iv).

²⁶⁶ GBST won a [REDACTED] contract with [REDACTED] in [REDACTED], worth [REDACTED] in revenue. [REDACTED]

- (d) In response to FNZ's submission that GBST has been [REDACTED], GBST submitted that it had [REDACTED]. GBST submitted that the [REDACTED];and
- (e) there was a bidding war to acquire GBST, and FNZ paid a significant price for it.

8.41 Both Parties submitted views on the extent to which GBST's partnership with Equiniti has allowed them to compete more closely:

- (a) FNZ submitted that GBST's partnership with Equiniti is [REDACTED] to FNZ's Combined Platform Solution, referring to the weakness of partnerships, the lack of success of this model in the market, tender data supporting the view that partnerships provide a weak constraint, noting that the GBST Equiniti partnership [REDACTED].
- (b) FNZ also submitted that due to Equiniti's acquisition of Aquila, who FNZ says is a [REDACTED].²⁶⁷ FNZ suggest that this is demonstrated by [REDACTED]²⁶⁸.
- (c) GBST submitted that the partnership was set up in order to enable it to [REDACTED] for customers wanting a Combined Platform Solution and that, absent the Merger, it would have been an effective competitor. GBST noted that it could take [REDACTED] and that Bravura's first bid to acquire GBST was only nine months after the announcement of the GBST/Equiniti partnership.

Third party evidence

8.42 Customer views in relation to the competitive dynamics, alongside evidence submitted by consultants and suppliers, were a highly relevant source of evidence in our assessment of closeness.

8.43 We consider below third party evidence: (i) on the closeness of competition between FNZ and GBST; and (ii) on how the role of the GBST/Equiniti partnership changed the constraint they place on each other.

8.44 Overall, as set out below, third parties generally consider FNZ and GBST to be close competitors, even with their different delivery models. Moreover, there are a group of customers that consider FNZ and GBST to be close alternatives, with Bravura (which also has a different delivery model to FNZ) being the only other supplier noted by some of these customers as competing as closely as the Parties do with each other. In particular, the scores given by third parties to suppliers of Retail Platform Solutions show that they

²⁶⁷ FNZ Initial Remittal Submission, paragraph 2.6.

²⁶⁸ FNZ Remittal Submission, 9 March 2021, Annex 1, section 2.1.

considered that FNZ and GBST are two of three suppliers (together with Bravura) that are the closest competitors.

FNZ submissions

8.45 FNZ made a number of submissions about our third party evidence gathering, including:

- (a) Our evidence gathering was influenced by our use of terminology, in particular that our definition of 'Retail Platform Solutions' has, in FNZ's view, materially changed over the course of the inquiry, leading to likely confusion (definition, including in relation to the characteristics of 'Retail Platform Solutions' that were mentioned in questionnaires, but not included in the Phase 2 Report).²⁶⁹
- (b) The CMA's third party questionnaires in the Phase 2 Inquiry contained leading questions because some questions pre-suppose that the market is segmented between Retail Platforms and Non-Retail Platforms and were written in a way that was liable to distort answers in favour of finding differentiation between platform types.²⁷⁰
- (c) Third party views represent subjective opinions, and should not be privileged over hard data,²⁷¹ and third party views 'in certain cases may be motivated by particular commercial interests, not particularly well-informed and/or include concerns that are not germane to the competition assessment'.

8.46 We consider these submissions in full in Appendix B. For the reasons set out in Appendix B we do not agree with these submissions. We do not consider any changes in the terminology used during the Phase 1 and Phase 2 investigations are sufficiently material to have impacted the probative value of third parties' submissions. In assessing the third party evidence, we have had due regard to a range of factors including: the incentives of the party giving that evidence;²⁷² the extent to which the party had knowledge that was relevant to the questions we are required to answer²⁷³; and the extent to which the evidence was consistent with other evidence available to us²⁷⁴.

²⁶⁹ FNZ Remittal Submission, 9 March 2021, paragraphs 3.7 and 3.8.

²⁷⁰ FNZ Remittal Submission, 9 March 2021, paragraph 3.9 and 3.11.

²⁷¹ FNZ Remittal Submission, 9 March 2021, paragraph 3.2.

²⁷² For example, we took into account whether a consultant had a previous relationship with any of the Parties (eg relationship of Lang Cat with GBST) and interpreted the evidence accordingly but less weight on the submissions made by this third party, unless supported by objective evidence.

²⁷³ For example, we placed more weight on the evidence provided by customers that had run procurement processes in recent years.

²⁷⁴ For example, we considered whether the evidence submitted by [X] about their offer and the extent to which it competed with the Parties was consistent with evidence provided by customers [X] and other third parties [X].

Therefore, we consider it is appropriate to place significant weight on third party evidence.

Closeness of competition between GBST and FNZ

8.47 We consider below the closeness scores given by third parties²⁷⁵ for the Parties and six other suppliers²⁷⁶ of Retail Platform Solutions in the UK. Using this evidence, we calculated average ‘closeness scores’ (‘third party scores analysis’) to measure: (i) how close an alternative FNZ is to GBST; (ii) how close an alternative GBST is to FNZ; and (iii) how close each of them is to other competitors (assessed in the section about Competitive constraint from alternatives) (see Appendix L for more details). We also assessed wider qualitative evidence from customers, competitors and consultants. We also considered how GBST’s partnership with Equiniti affected its ability to compete with FNZ in cases where customers have a preference for Combined Platform Solutions.

Third party scores analysis

8.48 We asked third parties to provide scores on how close alternatives FNZ and GBST were to each other.²⁷⁷

8.49 Figure 8.1 below shows the average ‘closeness scores’²⁷⁸ given by third parties for Bravura, SS&C, SEI, Pershing, Avaloq and Temenos, as well as FNZ and GBST.²⁷⁹

Figure 8.1. Average closeness of competition scores for alternative suppliers to FNZ and GBST (1 = not at all a close alternative to 5 = a very close alternative), based on responses from competitors, consultants and customers that have undertaken a tender since 2016



Source: CMA analysis of competitor, consultant and customer (who tendered recently) phase 2 questionnaire responses.

²⁷⁵ Seven competitors, three consultants and 23 customers provided closeness scores.

²⁷⁶ These six suppliers are: Bravura, SS&C, SEI, Pershing, Avaloq and Temenos. These competitors included two suppliers of Non-Retail Platform Solutions (Avaloq and Temenos) to help us assess the degree of constraint from both within and outside of the relevant market.

²⁷⁷ We also asked respondents to suggest any other suppliers and to provide closeness scores for those. We did not receive a sufficient number of responses from third parties to enable us to calculate average closeness scores reliably for these other suppliers.

²⁷⁸ Options given for scores ranged were 1 = not at all a close alternative, 2 = a somewhat close alternative, 3 = a moderately close alternative, 4 = a close alternative 5 = a very close alternative. Each supplier had a response from at least 15 third parties, from which the average score was calculated.

²⁷⁹ Competitors, consultants, and customers that have undertaken a tender since 2016. We have not used the scores from other customers as we gave limited weight to views of customers that have not tendered recently. See Appendix L for analysis that includes all customer responses.

- 8.50 The scores show that third parties considered, on average, that:
- (a) GBST and Bravura are the closest alternatives to FNZ, with GBST slightly closer, with scores between 3.5 and 4 each;²⁸⁰
 - (b) they are followed by SS&C and SEI, with scores between 3 and 3.5;²⁸¹ and
 - (c) Pershing, Avaloq and Temenos are seen as less-close alternatives to FNZ with scores between 2 and 3.²⁸²
- 8.51 GBST is seen to have fewer close competitors:
- (a) Bravura and FNZ are seen as the closest alternatives to GBST with scores between 4 and 4.5;²⁸³
 - (b) they are followed by SS&C, SEI and Avaloq with scores between 2.5 and 3;²⁸⁴ and
 - (c) Pershing and Temenos are less close still (with scores between 1.5 and 2.5).²⁸⁵
- 8.52 Based on these scores, on average, some third parties consider FNZ a stronger constraint on GBST than GBST is on FNZ. However, GBST is the closest alternative to FNZ, and FNZ the second closest to GBST after Bravura. FNZ's strong competitive position is consistent with our share of supply estimates, which show FNZ as one of the largest suppliers of Retail Platform Solutions in the UK pre-Merger.
- 8.53 FNZ submitted that this indicated that GBST and FNZ are not closer to each other than each of the six other suppliers on the basis of how often third

²⁸⁰ This reflects that [redacted] of respondents provided a rating for Bravura's closeness to FNZ of 5 ('a very close alternative') ([redacted]) or 4 ('a close alternative') ([redacted]), with similar results for GBST ([redacted] rated it 5 in closeness, and [redacted] rated it 4). Conversely, [redacted] rated either as 1 ('not at all a close alternative') ([redacted] for Bravura and [redacted] for GBST).

²⁸¹ This reflects that [redacted] respondents gave SS&C and SEI the highest score in closeness to FNZ: for SS&C, [redacted] rated it as 5 in closeness to FNZ, and [redacted] rated it as 4 in closeness. [redacted] gave SS&C a closeness score of 3 ('a moderately close alternative'). For SEI, [redacted] rated it as 5 in closeness to FNZ and [redacted] rated it as 4. Respondents were [redacted] to rate SEI as 3 or 2 ('a somewhat close alternative') with [redacted] giving these scores respectively.

²⁸² This reflects that [redacted] of respondents gave ratings for closeness to FNZ of 1 or 2 to Avaloq ([redacted]) and Temenos ([redacted] gave a score of 1 and [redacted] gave a score of 2). For Pershing [redacted].

²⁸³ This reflects that [redacted] of respondents provided a rating for Bravura's closeness to GBST of 5 ('a very close alternative') ([redacted]) or 4 ('a close alternative') ([redacted]). Similarly, [redacted] rated FNZ's closeness to GBST as 5 ([redacted]) or 4 ([redacted]). No other supplier was scored as 5 by [redacted].

²⁸⁴ For SS&C and SEI, this reflects scoring [redacted]. SS&C's scores on closeness to GBST were [redacted] between 2 ([redacted]), 3 ([redacted]) and 4 ([redacted]). For SEI a [redacted] scored it as 3 in closeness to GBST ([redacted]) and [redacted] respondents rating it as 1 or 2 ([redacted]) than rated it 4 or 5 ([redacted]). For Avaloq, [redacted] rated its closeness to GBST as 1 ([redacted]) or 2 ([redacted]) than as 4 ([redacted]) or 5 ([redacted]).

²⁸⁵ Scoring for these providers' closeness to GBST was [redacted]: for Pershing, [redacted] scored it as 1 ([redacted]), 2 ([redacted]) or 3 ([redacted]) with [redacted] scoring it as 5; for Temenos, [redacted] also scored it as 1 ([redacted]), 2 ([redacted]) or 3 ([redacted]), with [redacted] scoring it as 4.

parties provided closeness scores for these other suppliers, compared to how often third parties provided scores on the closeness between the Parties.²⁸⁶ We do not, however, consider that FNZ's analysis is relevant to our assessment of competition, as the number of scores is less important, given that they were prompted, than the average closeness score of a specific competitor, which is the main outcome of the third party scores analysis.

- 8.54 FNZ also submitted that we understated the presence of smaller suppliers because we did not prompt respondents to think of them.²⁸⁷
- 8.55 While we initially prompted third parties with a list of six named suppliers (those in Figure 8.1 above), we sought to increase the number of suppliers for which we could reliably report average closeness scores by subsequently prompting other third parties (customers whose contracts were no more than two years old) with 19 named suppliers.²⁸⁸ We also asked all third parties for suggestions of other suppliers and to provide closeness scores for them.
- 8.56 These additional steps did not allow us to calculate reliable average closeness scores for any more suppliers because the number of respondents who referred to these other suppliers remained very low, with only five respondents at most referring to them. If these suppliers were significant constraints on the Parties, we would have expected third parties to have referred to them more often. This strongly indicates that those suppliers are not widely seen by third parties to be close alternatives to FNZ or GBST.²⁸⁹

Qualitative evidence from third parties

- 8.57 The scores for each supplier are averages which do not show how closeness of competition can vary depending on the requirements and preferences of a customer. We complemented this evidence with qualitative evidence from customers, competitors and consultants.
- 8.58 Third parties told us that FNZ is a strong competitor with capabilities in both software and servicing, proven at scale. For example:
- (a) A competitor told us that FNZ is currently the only credible supplier offering a Combined Platform Solution; and

²⁸⁶ FNZ response to the phase 2 Provisional Findings, paragraph 4.13(ii).

²⁸⁷ FNZ response to the phase 2 Provisional Findings, paragraph 4.8.

²⁸⁸ These suppliers had reached a final stage of a tender against at least one of the Parties since 2016 in our Phase 2 dataset. These suppliers were [REDACTED]

²⁸⁹ Appendix K sets out further third party evidence on a number of these other suppliers which indicates that they appear to offer only a limited competitive constraint on the Parties. See also our assessment of Entry and Expansion in Chapter 9.

(b) A customer noted that FNZ has a simpler, more efficient operational model than other suppliers.

8.59 Customers submitted that GBST has scale, proven experience and a strong reputation in pensions software and is a leading supplier of Retail Platform Solutions in the UK. Third parties considered that the upgrade of GBST's software was necessary, as it had fallen marginally behind FNZ, but believed that the upgrade should re-establish its credibility.

8.60 Third parties noted that FNZ targets a broader range of customers than GBST, as it tenders for both Retail and Non-Retail Platforms while GBST focuses on Retail.

8.61 The qualitative evidence below indicates that some customers, such as those that do not consider the Parties' different delivery models to be a significant differentiating factor, consider the Parties to be closer competitors. Some customers consider the Parties to be closer competitors than others. For example:

(a) Seven customers considered FNZ and GBST to be close alternatives, with Bravura being the only other supplier noted by some as competing as closely as the Parties do to each other. This includes GBST's [REDACTED], Aegon, which told us that it is open to a Combined Platform Solution such as that provided by FNZ; and

(b) [REDACTED], another large customer of GBST, told us that it uses both JHC and GBST. In its view, the overlapping functionality of the two systems has created a helpful competitive tension between the two suppliers as they have sought to get [REDACTED] to more widely adopt their respective systems.

Closeness of competition between the GBST/Equiniti partnership and FNZ

8.62 We also assessed how GBST's partnership with Equiniti affected its ability to compete with FNZ in cases where customers have a preference for Combined Platform Solutions.

8.63 In relation to partnerships in general, third parties gave different views on the strength of partnership models compared to Combined Platform Solutions from a single firm.²⁹⁰

(a) Eleven of the 18 customers that gave a view said that they were open to partnership models or even preferred them. Reasons given included that:

²⁹⁰ Similar views on partnership models were expressed by [REDACTED].

a partnership could bring together specialists to create a strong solution, they would not be dependent on a single supplier, and they could replace one partner, giving them greater control over supply;²⁹¹

- (b) The other seven customers indicated that they prefer a Combined Platform Solution from a single supplier to a partnership. They found that a single supplier was more efficient, that software and servicing would be more complementary, and that the supplier relationship was simpler; and
- (c) Two competitors noted that the successful provision of Combined Platform Solutions from a single supplier has been proven, whilst partnerships have so far failed to gain customers.²⁹²

8.64 We asked third parties to give a view on the ability of the GBST Equiniti partnership to compete as a credible alternative to FNZ in providing Combined Platform Solutions:

- (a) Of 34 customers, 22 said they did not know enough to give a view, but eight thought that the GBST Equiniti partnership provided a credible alternative and four said that it did not;
- (b) Of eight customers that are current FNZ customers,²⁹³ three provided a view and all said that the GBST/Equiniti partnership was a credible alternative; and
- (c) Of five consultants, three did not give a firm view and two considered that, absent the merger, GBST and Equiniti could have competed effectively with the Combined Platform Solutions provided by FNZ.

8.65 The majority of competitors who responded considered that the partnership was untested at scale and may need significant investment to develop and win clients, and therefore were less positive about its ability to compete with FNZ. Six out of eight provided a view and four of these considered that GBST/Equiniti would have struggled to compete against FNZ in supplying Combined Platform Solutions absent the merger.

²⁹¹ [REDACTED]

²⁹² [REDACTED].

²⁹³ Data provided by FNZ in Annex 14.1, updated in response to RFI 2. Customers where FNZ provides both the software and the servicing solution (ie excluding JHC customers). The other 26 customers that provided a response were either customers of GBST or JHC, or they had undertaken a tender since 2016 in which at least one of the Parties had participated.

- 8.66 One customer told us that [REDACTED]. The GBST/Equiniti partnership will therefore be tested soon with a customer that is undertaking substantial investment in its Retail Platform.
- 8.67 We note that Equiniti acquired Aquila in November 2018. While FNZ submitted that Aquila is [REDACTED] as a result of Equinity's acquisition of Aquila.²⁹⁴ In particular, Aquila/Equiniti bid [REDACTED] and also [REDACTED].²⁹⁵ This position is contradicted by [REDACTED]. GBST and Equiniti have bid together in [REDACTED] ([REDACTED]).
- 8.68 Overall, the third party evidence considered above shows that GBST is a close competitor to FNZ, regardless of a partnership for the offer of a Combined Platform Solution. Its partnership with Equiniti may have strengthened competition between the Parties, in particular for customers which would prefer a Combined Platform Solution, although the partnership is largely untested at this stage.

Tender analysis

- 8.69 We analysed recent tenders in which the Parties participated in order to assess the degree to which they compete against each other.
- 8.70 Tender data was highly relevant in our assessment. In assessing the tender data, we have taken into account that tenders in this market are infrequent (because of the nature of the switching process) and that the tender data does not fully capture the competitive interactions between the Parties (eg around contract renegotiations).
- 8.71 The tender evidence considered in this section shows that the Parties are close competitors:
- (a) In Retail tenders,²⁹⁶ since 2016 FNZ (or JHC) and GBST have overlapped in around [REDACTED] the tenders in which they have participated ([REDACTED] tenders in total), of which [REDACTED] were at the commercial negotiations stage. In the context of infrequent, long-term tenders, this was [REDACTED].
 - (b) [REDACTED].
 - (c) [REDACTED]
- 8.72 We set out below:

²⁹⁴ FNZ Initial Remittal Submission, 12 February 2021, paragraph 2.6.

²⁹⁵ FNZ Remittal Submission, 9 March 2021, Annex 1, section 2.1.

²⁹⁶ See description in paragraph 8.81.

- (a) FNZ's submissions on its own tender analysis;
- (b) our methodology;
- (c) the results of our tender analysis; and
- (d) our assessment of this evidence.

FNZ tender analysis and submissions

8.73 During the Phase 2 Inquiry, FNZ submitted an analysis of [REDACTED] tenders since 2016 where it is aware of the identity of the winning supplier. FNZ submitted that this showed that:

- (a) of [REDACTED] tenders, there were [REDACTED] where the customer indicated a willingness to consider both Software-only and Combined Platform Solutions;
- (b) FNZ and GBST met each other in just [REDACTED]% of their tenders and that in the small number of occasions where FNZ (and not JHC) competed, FNZ did not lose to GBST. FNZ submitted that it is not aware of having competed with GBST [REDACTED] of a tender;
- (c) JHC has only lost [REDACTED] to GBST²⁹⁷ and of the [REDACTED] tenders in which GBST has competed, it [REDACTED];
- (d) competition over pricing and service terms only takes place at the final commercial negotiation stage of a tender, and the very small number of Retail tenders where FNZ or JHC overlapped with GBST at this stage cannot alone lead to the conclusion that the Parties are close competitors, particularly when the individual circumstances of these tenders are considered.²⁹⁸ Furthermore:
 - (i) some of the projects ([REDACTED]) were discontinued;²⁹⁹
 - (ii) other suppliers were present at the final commercial negotiations stage; and
 - (iii) the functionalities offered by the Parties were different. Specifically, GBST [REDACTED], and JHC [REDACTED].³⁰⁰

²⁹⁷ FNZ Initial phase 2 Submission, paragraph 2.11. See also FNZ Initial phase 2 Submission, Annex 2.

²⁹⁸ FNZ response to the phase 2 Provisional Findings, paragraph 4.12(iii).

²⁹⁹ The [REDACTED] tender and [REDACTED] tender.

³⁰⁰ FNZ response to the phase 2 Provisional Findings, Annex 1, section 4.1.2.

(e) the absence of competition [REDACTED] between the Parties at the final stage of a tender fundamentally undermines the CMA’s implicit view that there are just three credible suppliers to Retail Platforms, of which two are the Parties.

8.74 During the Remittal Inquiry and based on our updated tender analysis, FNZ subsequently submitted that:

(a) although meaningful competition does not take place at the early stage, when adding up all the overlaps at this stage in tenders between suppliers since 2016, [REDACTED]

(b) [REDACTED]³⁰¹;

(i) The [REDACTED] overlaps between FNZ and GBST at competitive negotiations stage were [REDACTED]. FNZ noted that: “The Parties [REDACTED]. As the tender dataset has been expanded to cover the period to February 2021, this means that the Parties [REDACTED]”;

(ii) [REDACTED] of the 2016 tenders were subsequently abandoned, which means that we should put less weight on them; and

(iii) [REDACTED].

8.75 FNZ also submitted that there are reasons to discount [REDACTED] overlaps when making an assessment in 2021:

(a) in [REDACTED], the overlap was [REDACTED]³⁰² [REDACTED];

(b) the [REDACTED] tender is [REDACTED] retail tenders where the CMA dataset identifies end-user segment as open to PaaS or SO from the outset; and

(c) in the [REDACTED], the overlap was [REDACTED].³⁰³

8.76 FNZ further submitted that there is limited overlap between PaaS and Software-only delivery model. The updated tender dataset shows that in over [REDACTED]% of Retail tenders, platforms specify whether they want a PaaS or Software-only delivery model from the outset.³⁰⁴ In addition, PaaS providers and Software-only providers also only overlap in [REDACTED] of the [REDACTED] Retail tenders.³⁰⁵ PaaS and Software-only delivery models are highly differentiated.

³⁰¹ NoA, paragraph 66b and FNZ Initial Remittal Submission, 12 February 2021, paragraph 2.5.

³⁰² FNZ Initial Remittal Submission, 12 February 2021, paragraph 2.6.

³⁰³ FNZ Remittal Submission, 9 March 2021.

³⁰⁴ FNZ Remittal Submission, 9 March 2021, paragraph 6.1(ii).

³⁰⁵ FNZ Initial Remittal Submission, 12 February 2021, paragraph 2.3.

This suggests that FNZ and GBST, whose primary delivery models are PaaS and Software-only respectively, [REDACTED].³⁰⁶

- 8.77 FNZ made a number of submissions on our tender analysis including submissions on our approach to sensitivity testing and on our approach to classifying platforms (discussed at paragraphs 6.47, 6.103 and 8.39). We considered these submissions in Appendix H and J respectively, where we explain in more detail our approach to sensitivity testing and why we consider our platform classifications are reliable.

GBST submissions

- 8.78 During the Remittal Inquiry, GBST submitted that [REDACTED]. See below in how we took into account these submissions

CMA tender analysis

- 8.79 Below we explain the methodology followed in our tender analysis and present the results. We then set out our overall assessment of the tender evidence.

Methodology

- 8.80 We carried out an analysis of tender data compiled from a wide range of sources in order to assess the closeness of competition between the Parties.³⁰⁷
- 8.81 We gathered information on all tenders which either FNZ or GBST (or both) were involved in since 2016. In our view it is appropriate to focus on tenders in which at least one of the Parties participated because these are the tenders (and customers) which would be potentially affected by the merger.³⁰⁸ Tendere were classified into three categories:
- (a) tenders for Retail Platform Solutions (Retail tenders);
 - (b) tenders for platforms identified to be included in our sensitivity analysis as set out in Appendix (Sensitivity-Only tenders); and
 - (c) tenders - Retail Platform Solutions (Non-Retail tenders).

³⁰⁶ FNZ Remittal Submission, 9 March 2021, paragraph 6.1(ii).

³⁰⁷ See Appendix B for a description of our evidence base for this analysis.

³⁰⁸ While there may have been some other tenders which did not involve either FNZ or GBST, in a differentiated market these are likely to be customers for whom other suppliers are preferred, and for which the merger will have a less significant impact.

- 8.82 Our analysis focuses on Retail tenders. We have also conducted a sensitivity analysis that includes both Retail and Sensitivity-Only tenders to assess the robustness of our results to include the wider set of platforms which may fall into the Retail Platforms category.
- 8.83 When assessing the tenders, we considered:
- (a) How often the Parties overlap in tenders in the various stages of the process (early or final stage);³⁰⁹
 - (b) how tender requirements (such as for a Software-only Solution) affect how closely the Parties compete;
 - (c) qualitative evidence from customers' tender evaluations, including any rankings; and
 - (d) FNZ's representations on interpreting the tender evidence.
- 8.84 The evidence covers tenders over the last five years; that is, since 2016. We find that there have been no material changes to competitive conditions over this period that would lead to weaker competition between the Parties in the supply of Retail Platform Solutions. On the contrary, evidence from third parties and the Parties' internal documents indicates that GBST's product development and its partnership with Equiniti may have strengthened competition between GBST and FNZ over this period. We therefore consider the tender evidence throughout this whole period to be a good reflection of current market conditions (see further detail in paragraph 8.106).
- 8.85 In our view, we should not rely only on competition at the final stage of a tender in our analysis. Participation at the early stage of a tender is informative for assessing competition and involved a greater number of tenders: this resulted in a total of [X] Retail tenders being included in our analysis, instead of the [X] Retail tenders at the final stage where at least one of the Parties participated since 2016. As we explain below, evidence on the Parties' overlaps with each other, compared to their overlaps with other competitors, at each of these tender stages is important for assessing closeness of competition between them.
- 8.86 The early stage involves assessing the capability of suppliers, for example through requests for information. More frequent participation at this early stage against the Parties provides an indication of how close an alternative a supplier is to the Parties. At this early stage, customers will invite to tender

³⁰⁹ Appendix E sets out how a tender process works, including the typical stages of a tender process.

suppliers that have a prospect of meeting their requirements. This can involve the use of consultants to identify potential suppliers to participate at this early stage rather than spend unnecessary time assessing unsuitable suppliers.³¹⁰

8.87 We set out in Appendix I our assessment of a small number of procurement processes considered qualitatively. These largely do not affect our assessment of the strength of different competitive constraints. However, to the extent these do provide further information relevant to our assessment, we have incorporated this into our analysis in relation to alternative competitive constraints.

Results

8.88 Our analysis shows that FNZ, JHC and GBST have participated in [REDACTED] tender. Of these:

- (a) [REDACTED] were for Retail tenders;
- (b) [REDACTED] were for Sensitivity-Only tenders; and
- (c) [REDACTED] were for Non-Retail tenders.

8.89 Table 8.2 shows the total number of tenders included in the main analysis (Retail tenders) and the sensitivity analysis (Retail and Sensitivity-Only tenders). It summarises the number of tenders in which the Parties participated, won and overlapped. Information on Non-Retail tenders is set out in Appendix I.

Table 8.2: Summary of results

	Main analysis (Retail tenders)	Sensitivity Analysis (Retail & Sensitivity-only tenders)
Total no. tenders	[REDACTED]	[REDACTED]
FNZ participation	[REDACTED]	[REDACTED]
JHC participation	[REDACTED]	[REDACTED]
GBST participation	[REDACTED]	[REDACTED]
FNZ win	[REDACTED]	[REDACTED]
JHC win	[REDACTED]	[REDACTED]
GBST win	[REDACTED]	[REDACTED]
FNZ/GBST overlap (any stage)	[REDACTED]	[REDACTED]

³¹⁰ See Appendix E for further details.

Source: CMA analysis using data from the Parties, customers and competitors.

8.90 The [redacted] Retail tenders in which the Parties overlap account for a significant proportion of each Party's total participation in Retail tenders:³¹¹ they account for [redacted]% of the [redacted] tenders where FNZ or JHC bid; and they account for [redacted]% of the [redacted] tenders where GBST bid. As table 8.2 shows:

(a) FNZ overlapped with GBST at the early stage [redacted] times, and JHC and GBST overlapped [redacted].³¹²

(b) GBST overlapped with FNZ [redacted] and with JHC [redacted] at the final stage. In these [redacted] tenders, FNZ or JHC and GBST were the only two bidders at the final stage.³¹³ Of these;

(i) FNZ won [redacted] against [redacted]; and

(ii) GBST won [redacted] against [redacted] and [redacted] against [redacted].^{314,315}

8.91 There are [redacted] tenders that FNZ won when competing with GBST at the final stage that [redacted].³¹⁶ However, this does not change the fact that GBST was treated as the next best alternative for the customer. We consider that tenders, even if abandoned at the end of the process, are informative of closeness of competition between the Parties. This is because the evidence shows how customers evaluated their supply options and the probative value of this information does not depend on whether the customer proceeded with the project. Similarly, the fact that the [redacted].

8.92 When we widened the analysis to include Sensitivity-Only tenders we found that the Parties overlapped in [redacted]. These accounted for [redacted] of the tenders where FNZ or JHC bid and [redacted] of the tenders where GBST bid. GBST overlapped with FNZ and JHC at the early stage [redacted] and [redacted] respectively. [redacted].

8.93 The tender evidence shows that the Parties are close competitors for some customers. Table 8.3 shows that these customers use competition between FNZ's Combined Platform Solutions and GBST, either as a Software-only

³¹¹ This overlap in these [redacted] tenders is higher at [redacted] in our analysis than in FNZ's analysis which showed a [redacted]% overlap because FNZ included Non-Retail tenders in its analysis and GBST did not compete in any of these.

³¹² Retail tenders where FNZ (excluding JHC) and GBST met are [redacted].

³¹³ FNZ and GBST reached the final stage in tenders for [redacted]. JHC and GBST reached the final stage in the [redacted].

³¹⁴ [redacted].

³¹⁵ [redacted]. According to the tender data submitted by FNZ, [redacted], which had an AUA of £[redacted] at the time.

³¹⁶ [redacted] and [redacted]

solution or in partnership with a servicing supplier, as part of their procurement processes. This is the case both at the early stage and the final stage of tenders.

8.94 Table 8.3 presents details of the tenders in which the Parties overlapped, including which other competitors than the Parties participated at early stage, final stage and who won.

Table 8.3. Retail tenders and Sensitivity-Only tenders where the Parties overlapped since 2016.

Customer	Retail or Sensitivity-Only	Year	Bidders at early stage	Bidders at final stage	Winner
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis based on information from the Parties, competitors and customers.

Note: *The procurement exercise for [REDACTED] only involved a presentation from each supplier and was not a tender with multiple stages or that led to a change of supplier. We therefore excluded this from the quantitative analysis in this section. We do, however, consider this procurement process as part of our qualitative evidence.

Our assessment

8.95 Compared to their overlaps with other competitors (which we discuss later in this chapter), the extent of the overlap between the Parties in our tender data is significant.³¹⁷

- *Frequency of overlaps at different stages of the tender process*

8.96 In absolute terms the Parties have overlapped in a relatively small number of Retail tenders – [REDACTED] in total since 2016, and [REDACTED] at the commercial negotiations stage. However, this reflects the small number of tenders for Retail Platforms that take place each year and the variation in customers’ requirements and preferences for suppliers. On its own, the absolute number of tenders in which the Parties overlap is therefore not particularly informative of the closeness of competition between the Parties. This is reflected in the fact that, while the Parties overlap in a small number of Retail tenders, these represent a relatively large proportion of the Retail tenders in which they have

³¹⁷ See the section Competitive constraints from alternatives, paragraph 8.189 for more information.

bid ([REDACTED] for FNZ and [REDACTED] for GBST). By contrast, excluding Bravura, the next supplier with the most Retail tender overlaps with GBST and FNZ/JHC only accounted for roughly [REDACTED] of each Parties' total Retail tenders respectively.

8.97 In relative terms, the extent to which the Parties compete in tenders compared to other competitors (as discussed later in paragraphs 8.177 onwards) indicates that FNZ and GBST are closer alternatives to each other than other competitors [REDACTED]. We considered overlaps at the early and final stages of tenders to assess the closeness of competition between the Parties:

(a) The frequency with which the Parties overlap at the early stage of tenders relative to other competitors indicates whether the Parties' Platform Solutions are close alternatives to each other relative to other competitors. We expect closer alternatives to be invited to bid against each other more often than other competitors.

(b) Similarly, the more the Parties overlap at the final stage of tenders relative to other competitors, the more likely they are to be closer alternatives to each other than either of them is to other competitors. Final stage overlaps also show examples of when the Parties competed closely on price in the past because the final stage of a tender is typically more focused on negotiating prices and terms.

8.98 We found that, [REDACTED].³¹⁸

8.99 We found that our sensitivity analysis produced similar results: the Parties overlap in a relatively high proportion of tenders, and more so than with any other competitor except Bravura. However, we note that all of the Parties' overlaps occurred in Retail tenders, reflecting GBST's stronger competitive focus in the supply of Retail Platform Solutions than Non-Retail Platform Solutions.

- *Qualitative evidence from tender evaluation*

8.100 We also gathered information from customers who ran these tenders with regard to their evaluation of suppliers in the context of these procurement processes (set out in more detail in Appendix K). This qualitative evidence showed that they considered the Parties as close alternatives, including the GBST Equiniti partnership as an alternative to FNZ, and JHC as an alternative to GBST:

³¹⁸ See Chapter 8, Competitive constraint from alternatives section for this assessment.

- (a) One customer identified GBST in partnership with Equiniti as the closest alternative to FNZ as part of their procurement evaluations for a new Retail Investment Platform proposition, with Bravura being ranked third in the process.
- (b) Another customer identified FNZ's technology to be as good as GBST, although GBST was ranked second, very close to FNZ in first place. CTC and Bravura were ranked third and fourth in the final rank, but they were distant in terms of scores from both FNZ and GBST. [REDACTED].
- (c) Another customer, which awarded the tender to FNZ, identified GBST as a credible alternative for the Software-only Solution. At the time, it considered Bravura/Genpact to be a closer alternative to FNZ's Combined Platform Solutions than GBST. It also considered that SEI's servicing was not proven at the scale and scope required.
- (d) A customer of FNZ, [REDACTED], ranked GBST/Equiniti as the closest alternative to FNZ.
- (e) One customer identified JHC as its closest alternative to GBST as part of its procurement evaluation. Bravura, FNZ and SS&C were also identified as possible alternatives but were dismissed earlier in the process for different reasons. While the customer recognised that JHC traditionally served private client investment management and stockbroking platforms, it had concluded during the tender that JHC was expanding to build functionalities often required by Retail Platforms (for example, by developing pensions functionality) and would be able to deliver the Platform Solutions with some development and integration work. GBST was selected based on its capacity to deliver the functionalities needed within the required timeframe.

8.101 Overall, the quantitative evidence and the qualitative evidence from tenders shows that FNZ and GBST, together with Bravura, are the closest competitors to each other in the supply of Retail Platform Solutions.

- *Assessment of FNZ's representations*

8.102 In assessing this evidence, we have considered FNZ's representations as described in paragraph 8.73 about:³¹⁹

- (a) differences between PaaS and Software-only delivery models;

³¹⁹ We have considered the abandonment of [REDACTED] tenders at which FNZ and GBST overlapped at the Commercial Negotiation stage (about which FNZ also made representations) at paragraph 8.91.

(b) the time since FNZ and GBST last overlapped at the Commercial Negotiation stage; and

(c) GBST's partnership with Equiniti.

8.103 In relation to competition between different delivery models, our tender data indicates that [REDACTED] Retail tenders involved both at least one PaaS supplier and one Software-only supplier, either alone or in a partnership, at the early stage of a tender. Of the [REDACTED] tenders for Retail Platforms where we were aware of at least two competing suppliers in the final stage, [REDACTED] contained both a PaaS supplier and a Software-Only supplier, either alone or in partnership, at the final stage.³²⁰

8.104 In our view this indicates that a material number of customers do not specify their preferred delivery model prior to tendering, resulting in competition between Software-only providers and PaaS providers. In addition, customers seeking to outsource both the software and servicing components of their Platform Solution will consider suppliers that can offer both on their own as well as suppliers that offer both via a partnership (eg GBST/Equiniti).

8.105 This evidence indicates that there may also be some customers that do not consider the Parties to be close competitors, which may reflect their different delivery models (or other aspects of differentiation between the Parties relevant to that customer's specific requirements and preferences). As a result, these customers would only invite one of the Parties to participate in their tenders or eliminate one of them at an early stage of the tender process. However, the position of these customers would not protect those customers for which the Parties are close competitors from higher prices given that terms are individually agreed with each customer.

8.106 While FNZ submitted that FNZ and GBST last met at commercial negotiation stage of a tender [REDACTED], this fact must be put in context:

(a) The tender data shows that there have been significant competitive interactions between the Parties in more recent years. FNZ and GBST have met at RFI stage more recently, and they both progressed beyond RFI (although not overlapping at commercial negotiation stage) [REDACTED]. As noted at paragraph 8.85, we consider that engagement in tenders after

³²⁰ Within the sensitivity analysis, [REDACTED] ([REDACTED]) tenders involved both a PaaS supplier and a Software-Only supplier, either alone or in a partnership, at the early stage of a tender. Of the [REDACTED] tenders where we were aware of at least two competing suppliers in the final stage, [REDACTED] contained both a PaaS supplier and a Software-Only supplier, either alone or in partnership, at the final stage.

RFI but before the commercial negotiation stage can be an indicator of close competition between the Parties.

- (b) In the context of a market where tenders occur infrequently and contracts typically last for 10-15 years, we consider that the results of tenders happening five years ago continue to be informative of current competitive conditions, absent material changes in the competitive conditions. As noted at paragraph 8.84, we did not find that there had been significant changes in competitive conditions during the period.
- (c) We note GBST's submission that more recent tender processes have been disrupted by the Coronavirus (Covid-19) pandemic. While FNZ submitted that 'In FNZ's experience, the Covid-19 pandemic has not had a meaningful impact on the number of recent tenders', there is some evidence that some tenders have been put on hold due to the effects of the pandemic, which we have taken into account in our analysis. However, independently of the impact of the pandemic, we consider we should take into account tenders from the full time period considered for the other reasons set out above in this paragraph and in paragraph 8.84.
- (d) Furthermore, there is some evidence that GBST [REDACTED].³²¹

8.107 The fact that FNZ won recent tenders where GBST competed against it, (including tenders in which GBST was the next best alternative to FNZ) shows that GBST provided a constraint on FNZ in these tenders. Where two competitors compete closely with each other but where one is stronger than the other, it may be the case that only one of them wins the tenders where they overlap. This is particularly so if there are only a limited number of tenders. GBST therefore did not need to win these tenders, or any others against FNZ, in order to provide a strong constraint on FNZ.

8.108 Finally, in relation to the GBST/ Equiniti partnership, FNZ submitted that [REDACTED]. However, we found that [REDACTED].

8.109 In addition, while FNZ has suggested that [REDACTED], this position is contradicted by [REDACTED]. [REDACTED].'

8.110 We recognise that the presence of other bidders in tenders, including at the final stages of the process, is important in assessing the effects of the Merger. We assess the presence of other competitors in tenders that the Parties bid for in the section on Competitive constraint from alternatives.

³²¹ First, [REDACTED].

- 8.111 Overall, we consider that the tender analysis (both our main analysis and sensitivity analysis) indicates that FNZ and GBST compete closely for customers that do not consider the different delivery models as a significant differentiating factor.
- 8.112 This is clearly shown in several tenders over the past 5 years where customers have considered either GBST's Software-only solution or its partnership with Equiniti to be a close alternative to FNZ's Combined Platform Solutions, and in some cases the next best alternative.³²²
- 8.113 The results of the tender data analysis also showed that, together with Bravura, FNZ and GBST overlap the most with each other in tenders, [redacted]. This tender evidence, therefore, shows that FNZ and GBST are close alternatives.

Internal documents

- 8.114 We have assessed internal documents from each Party to ascertain how closely they consider that they compete with each other and how they position themselves in the market relative to other competitors. Given the importance of product development, we assessed, in particular, evidence from the Parties' internal documents on whether and to what extent competition between the Parties is a driver of their product development.
- 8.115 Internal documents produced by the Parties before the Merger was in contemplation are a relevant source of evidence to the extent they provide insight into competitive conditions. More limited weight was given to internal documents that were contemporaneous to the Merger and to documents produced for the Parties by third party consultants and advisers.
- 8.116 Overall, we found that:
- (a) GBST's internal documents characterise FNZ and GBST as the main competitors to each other, alongside Bravura. In particular, GBST's internal documents show that competition from FNZ is a key driver of its product development, and FNZ's and GBST's internal documents demonstrate that GBST invested in Project Evolve to improve its competitiveness against FNZ.
 - (b) FNZ's documents, to the limited extent that they provide insight into competitive conditions, also identify GBST as a competitor to FNZ,

³²² We do not consider that Equiniti's acquisition of Aquila in 2018 materially affects the continued ability of GBST to partner with Equiniti in cases where customers have a preference for a PaaS solution, for the reasons set out in paragraphs 8.108 and 8.109 above.

although we have found no clear evidence that competition from GBST is a significant driver of FNZ's product development.

FNZ submissions

8.117 FNZ submitted that:

- (a) Its internal documents do not provide a reliable basis from which to draw conclusions because only a small set of documents has been used in our assessment;³²³ many of these documents were either in draft form and/or not produced directly for senior FNZ management, and some documents were produced by third parties and their findings are 'unreliable' and 'inaccurate'.³²⁴
- (b) We have misinterpreted statements within the documents, have taken them out of context,³²⁵ and have not taken into account those documents which show that GBST is not a strong competitor.
- (c) [REDACTED] and that tender data is a more reliable source of evidence on competition. It also pointed to its share of supply estimates as a better view on the competitive landscape.³²⁶
- (d) Its internal documents contain many references to the fact that a Combined Platform Solution fundamentally differs from a Software-only solution.^{327,328}

8.118 We took FNZ's comments into account in our assessment of its internal documents. We agree with the broad principle underpinning FNZ's submissions: that the relevance of a given internal document depends not only on the information provided within it, but the context in which that document was produced.

Our assessment

8.119 In general, we consider that internal documents are a useful source of evidence, as they reflect how the Parties consider the market in the ordinary course of business. Evidence in relation to how competition operated in the

³²³ [REDACTED].

³²⁴ [REDACTED].

³²⁵ For example, FNZ submitted that [REDACTED].

³²⁶ FNZ response to phase 2 Provisional Findings, paragraph 4.15.

³²⁷ FNZ response to the phase 2 Provisional Findings, paragraph 4.18.

³²⁸ Appendix N provides summaries of the internal documents described in this chapter as well as further examples of internal documents relevant to our assessment. The document extracts themselves are in Appendix M and our approach to the review of internal documents is in Appendix B.

market prior to a merger helps us to understand how rivalry is likely to be affected by it. This is true even when there are relatively few documents of relevance (although the production of high volumes of documents on a given point would, of course, also typically form part of the CMA's assessment of the context of those documents).

- 8.120 Our treatment of any internal document takes into account both its content and the purpose for which it was prepared – for instance, we tend to place greater weight on documents prepared to inform senior-level decision-making. We also consider the context of any mentions of competitors – we do not just conduct a quantitative analysis of the number of times a given supplier is mentioned, but will rather consider the nature of a reference to a competitor, and to what extent that informs the nature of the constraint offered by the competitor.

FNZ internal documents

- 8.121 FNZ's internal documents, including documents for the FNZ board, indicate that it characterises itself as the most significant supplier of Retail Platform Solutions in the UK, with a unique and strong position in providing Combined Platform Solutions. Examples include:

- (a) noting that it [REDACTED] and that [REDACTED]; and
- (b) referring to [REDACTED].

- 8.122 A third party report produced for FNZ [REDACTED].

- 8.123 In internal documents that consider the competitive landscape, FNZ [REDACTED]. The documents, which include a senior management presentation, indicate that:

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED];^{329,330} and
- (d) [REDACTED].

- 8.124 Additionally, an FNZ presentation from September 2019, entitled [REDACTED].

³²⁹ [REDACTED]
³³⁰ [REDACTED]

8.125 The picture of the competitive landscape in these documents appears to vary according to the purpose of the document: for example, whether the document is internal or customer-facing.

8.126 FNZ documents [REDACTED].

8.127 Only two FNZ documents [REDACTED].

8.128 With regard to specific points submitted by FNZ on our use of internal documents:

- (a) FNZ submitted that [REDACTED]. We agree that this is consistent with the relatively low number of its internal documents that were focussed on the competitive landscape. However, this does not detract from the probative value of the few documents that do, in our view, indicate FNZ's contemporaneous view of the competitive landscape. It is not uncommon for a merger investigation to gather a large number of documents but for only a relatively small proportion of those documents to be ultimately relevant for the purposes of competitive assessment.
- (b) FNZ submitted that we had misinterpreted statements within the documents, taken them out of context or had downplayed documents which show that GBST is not a strong competitor. We took into account FNZ's descriptions and explanations of the content and context of these documents, where FNZ has made submissions on specific documents, and incorporated them into our assessment. We focussed on a subset of internal documents that were identified as being most relevant to the Parties' contemporaneous view of competitive conditions following an initial review. We took into account specific documents in which GBST is not identified as a competitor which we considered, in the round, with all other relevant documents. In response to our Provisional Findings and Phase 2 Report, FNZ has not brought to our attention other internal documents that it considers might downplay the competitive significance of GBST to FNZ, and that were not included in our review.
- (c) We note that some of the documents produced for FNZ by third parties were based on input from key staff at FNZ and that one was subsequently incorporated into a management presentation. We took into account that FNZ has, during the course of our investigation, expressed to us its dissatisfaction with our use of these documents. However, in the absence of any contemporaneous evidence indicating that questions or concerns were raised by FNZ about the content of these documents at the time they were produced or at any point subsequently (outside of our investigation), we consider that these documents should be regarded as

evidence that is relevant to our investigation. The fact that one of these documents was subsequently incorporated into an FNZ management presentation also indicates that FNZ attached some value to that document. Nevertheless, we sought (in keeping with the general principle set out above) to carefully consider the context of each third party document. On this basis, we typically give documents produced by third parties, even with FNZ management input, less weight than documents of a similar nature produced directly by FNZ senior management.

GBST's internal documents

8.129 GBST documents that analyse competitive conditions include board reports, documents relating to the bids made for GBST in 2019 and those prepared for GBST by consultants.

8.130 These [REDACTED].

8.131 We found relatively few internal documents from GBST that [REDACTED]. One document considered why some [REDACTED].

8.132 However, an FNZ presentation relating to its acquisition of GBST mentions the interest of a major GBST customer [REDACTED].³³¹

8.133 Overall, we find, at this stage, that GBST's internal documents characterise FNZ and GBST as the main competitors to each other alongside Bravura. FNZ's documents, to the limited extent that they provide insight into competitive conditions, also identify GBST as a competitor to FNZ.

8.134 Our assessment of the Parties' internal documents is taken together with other sources of evidence, rather than on a stand-alone basis, in reaching our conclusions. In this regard, many of the themes that we observe in the Parties' internal documents (for example in relation to the existing market position of FNZ and the nature of the competitive interaction between the Parties) are also reflected in other sources of evidence, such as third party evidence and tender data.

Closeness of competition in relation to product development

8.135 Product development is important as an indicator of competition in this market.³³² In this section, we assess the evidence from the Parties' internal

³³¹ More details are in Appendix N.

³³² See Chapter 7.

documents on whether and to what extent competition between the Parties is a driver of their product development.

8.136 We focus on evidence from internal documents relating to Evolve, a GBST R&D project to update its main product, Composer. [REDACTED].

FNZ submissions

8.137 FNZ submitted that GBST does not drive innovation by FNZ and that [REDACTED]. FNZ told us that its incentive to innovate is driven by competition with other suppliers of Combined Platform Solutions and customer demands.³³³

Incentives for development of FNZ's products

8.138 From our review of FNZ's documents, we found no evidence to suggest that FNZ responded to GBST's Project Evolve or that competition from GBST is a significant driver of FNZ's product development.

8.139 FNZ submitted that its innovation responds to competition and innovation from other providers including [REDACTED].

8.140 FNZ told us that it [REDACTED]. This, in turn, means that most of FNZ's R&D and related spending can be [REDACTED]. We consider that its characterisation of the product development process is consistent with a finding that competition for customers plays a role in product development.³³⁴

8.141 A third party report for FNZ [REDACTED] but FNZ submitted that [REDACTED].³³⁵

Incentives for development of GBST's products

8.142 Before the Merger, competition from FNZ appeared to be a more significant driver of GBST's product development than any impact that GBST has on FNZ's product development incentives:

(a) GBST internal documents, including [REDACTED], show that it was clearly [REDACTED].

(b) FNZ's board minutes also show that [REDACTED].³³⁶

³³³ FNZ response to the phase 2 Provisional Findings, paragraph 5.1(v).

³³⁴ Appendix O sets out views on Project Evolve from the Parties and third parties.

³³⁵ FNZ Initial phase 2 Submission, paragraph 6.23(iii).

³³⁶ Further details are provided in Annex K.

- 8.143 FNZ's internal documents showed that it believed that Evolve was intended to help GBST sell Composer to new customers. They also indicate that FNZ [REDACTED].³³⁷
- 8.144 FNZ submitted that, as part of the acquisition process, its intention after the Merger is to replace GBST's programme '[REDACTED]'.
- 8.145 FNZ submitted that [REDACTED].
- 8.146 In particular, FNZ stated that '[REDACTED]'. In support of this position, FNZ referred to a document [REDACTED] [REDACTED].'
- 8.147 Our review of FNZ's documents confirms that [REDACTED], but it is not clear whether this relates to R&D or other expenditure such as the cost of migrating existing GBST customers onto FNZ technology.

Our assessment

- 8.148 GBST's internal documents show that competition from FNZ is a key driver of its product development. FNZ's and GBST's internal documents demonstrate that GBST invested in Project Evolve to improve its competitiveness against FNZ.
- 8.149 We found, at this stage, no clear evidence that competition from GBST is a significant driver of FNZ's product development, but we found that product development is driven by customer requirements. Competition between suppliers in meeting these customer requirements would therefore also be expected to drive product development at FNZ. As FNZ (including JHC) has a wider range of target customers than GBST,³³⁸ its incentives to develop its technology may not be driven by competition from GBST to the same extent as competition from FNZ incentivises GBST's product development.
- 8.150 While FNZ's intentions for product development in the event that the Merger is cleared are not necessarily indicative of the competitive pressure exercised by FNZ on GBST pre-Merger, we note we found that [REDACTED] would be consistent with a reduced incentive to innovate brought out by the Merger, which would be reflected initially in a reduction in the innovation that would otherwise be carried out by GBST. We found no conclusive evidence [REDACTED].

³³⁷ See Appendix O for these documents. [REDACTED].

³³⁸ See paragraph 8.39.

Provisional conclusion on closeness of competition between the Parties

8.151 Taking all of the evidence set out in paragraphs 8.39 to 8.150 together, we found, at this stage, that FNZ is a strong competitor in the supply of Retail Platform Solutions. FNZ's capabilities in both software and servicing, which are proven at scale, give it a distinct market offering. While GBST does not have its own servicing capabilities, evidence from third parties, tenders and internal documents consistently indicate that FNZ and GBST compete closely with each other.

8.152 We currently consider that FNZ and GBST compete closely for customers that do not consider the different delivery models as a significant differentiating factor or are willing to contract with partnerships to deliver a Combined Platform Solution model, of which there are a material number as evidenced by our tender analysis³³⁹ and views from customers:

- (a) This is clearly shown in tenders where customers have considered either GBST's software-only solution or its partnership with Equiniti to be a close alternative to FNZ's Combined Platform Solution, and in some cases the next best alternative.³⁴⁰
- (b) The results of the tender data analysis (discussed above and in paragraphs 8.79 to 8.113]) showed that, together with Bravura, FNZ and GBST overlap the most with each other in tenders, [REDACTED]. This tender evidence is consistent with FNZ and GBST being close alternatives.
- (c) Third parties generally consider FNZ and GBST to be close competitors, even with their different delivery models. Moreover, there are a group of customers that consider FNZ and GBST to be close alternatives, with Bravura (which also has a different delivery model to FNZ) being the only other supplier noted by some of these customers as competing as closely as the Parties do with each other.
- (d) GBST's internal documents characterise FNZ and GBST as the main competitors to each other alongside Bravura. FNZ's documents, to the

³³⁹ We are not able to quantify precisely how many customers do not consider different delivery models a differentiating factor or are willing to contract with partnerships, but as noted at paragraph 8.103, [REDACTED] tenders for Retail Platforms involved both a PaaS supplier and a Software-only supplier, either alone or in a partnership, at the early stage of a tender. Of the 13 tenders for Retail Platforms where we were aware of at least two competing suppliers in the final stage, [REDACTED] contained both a PaaS supplier and a Software-Only supplier, either alone or in partnership, at the final stage.

³⁴⁰ We do not consider that Equiniti's acquisition of Aquila in 2018 materially affects the continued ability of GBST to partner with Equiniti in cases where customers have a preference for a PaaS solution, for the reasons set out in paragraphs 8.108 and 8.109 above.

limited extent that they provide insight into competitive conditions, also identify GBST as a competitor to FNZ.

- 8.153 We found that the Parties compete closely for the following Retail Platforms:
- (a) GBST customers that are open to a Combined Platform Solution involving the outsourcing of servicing as well as software;
 - (b) FNZ customers that are open to Combined Platform Solutions offered through a partnership of two suppliers including the GBST Equiniti partnership; and
 - (c) customers of neither Party that are open to Software-only Solutions or Combined Platform Solutions, either through a partnership or from one provider.
- 8.154 Other customers may be less likely to consider FNZ's and GBST's different delivery models as alternatives, because they prefer a Software-only Solution or a Combined Platform Solution. These customers may be less affected by the Merger to a material extent. However, the position of these customers would not protect those customers for which the Parties are close competitors from higher prices given that terms are agreed with each customer. Furthermore, these customers may also be worse off as a result of any adverse effect on product development brought by the Merger.
- 8.155 We found that there are some differences in the constraint that each Party imposes on the other. However, on balance this is not material in terms of the overall constraint each Party imposes on the other.
- 8.156 As the larger competitor, FNZ is seen (by itself and many others) to impose a stronger constraint on GBST than GBST does on FNZ. But there is also evidence that GBST is a significant constraint on FNZ, in particular that some FNZ customers consider the GBST Equiniti partnership to be a credible alternative to FNZ and that there have been recent tenders won by FNZ where GBST competed with FNZ, including [REDACTED] at the final stage.³⁴¹ We found that there may be greater asymmetry in relation to competition in product development than for competition on price and commercial terms, but even in the presence of such asymmetry there is still a loss of close competition.
- 8.157 We also found that there is competition between GBST and JHC: both offer Software-only Solutions. Although JHC may focus more on Non-Retail

³⁴¹ These are the [REDACTED] and [REDACTED]. [REDACTED].

Platforms, and GBST more on Retail Platforms, they [REDACTED]. In addition, one customer, [REDACTED], uses both JHC and GBST and told us that having two systems has created a helpful competitive tension between the two suppliers.

8.158 On the basis of the evidence set out above, we provisionally conclude that the Parties compete closely with each other in the supply of Retail Platform Solutions in the UK.

Competitive constraint from alternatives

8.159 We assessed the competitive constraint that other suppliers of Platform Solutions, including in-house provision of software and servicing, exert on the Parties. We considered suppliers that offer Platform Solutions to Non-Retail Platforms as possible out of market constraints.

8.160 Considering the evidence from third parties, tender analysis and internal documents in the round, we found that Bravura was identified as the closest alternative to the Parties across all our sources of evidence. Third parties identified it as the closest alternative, and our tender analysis also shows that Bravura is a close competitor to each of the Parties. This indicates that Bravura is likely to remain a close competitor to the Parties post-Merger.

8.161 We also found that the other competitors to FNZ and GBST would not impose a significant competitive constraint on the merged entity:

(a) SS&C has a restricted offering and it has gaps in its product capability. Its only material customer relationship is with St. James's Place ([REDACTED]% of revenue), which it supplies with a specific (closed architecture) solution. Although SS&C won [REDACTED] against each Party, these tenders were [REDACTED], and [REDACTED].

(b) SEI was also viewed by third parties as having a restricted offering, using older technology than the Parties and with limited scale in the UK. It overlapped with FNZ or JHC in [REDACTED] tenders and with GBST [REDACTED] since 2016. However, [REDACTED].

8.162 We found that TCS BaNCS has a high share of supply because it provides solutions to a small number of legacy platforms in our analysis, managing a significant volume of assets. However, the third party and tender evidence suggested that it is not a close competitor to either FNZ or GBST given the differentiated nature of the supply of Platform Solutions to legacy products. TCS BaNCS [REDACTED] and was mentioned (unprompted) as a potential competitor to the Parties by only two out of 36 customers that provided us with information about alternative suppliers. [REDACTED].

8.163 We found that, although there was a long tail of providers who appeared at least once against the Parties in tenders, individually or collectively these would not create a significant constraint on the merged entity at least for those customers for whom the Parties are currently close competitors.

8.164 In the section below we assess the following submissions and evidence on competitive constraints from alternative suppliers:

- (a) FNZ and GBST submissions;
- (b) third party evidence;
- (c) tender analysis; and
- (d) internal documents.

FNZ submissions

8.165 FNZ submitted that:

- (a) FNZ and GBST are subject to significant competitive constraints from many other competitors, including from other Platform Solution suppliers as well as from in-house provision.
- (b) Suppliers of Combined Platform Solutions and suppliers of Software-only Solutions are both credible alternatives for customers.
- (c) There is strong competition between suppliers of Platform Solutions for all Investment Platforms, both Retail and Non-Retail, due to the commonality in their requirements.³⁴²
- (d) The following suppliers of Platform Solutions are competitors: Avaloq, SS&C, Temenos, Pershing, Bravura, SEI, Platform Securities, IRESS, TCS BaNCS, 3i Infotech, Equiniti, ERI Bancaire, State Street, Broadridge, Objectway and PSL.
- (e) [REDACTED].³⁴³
- (f) There are [REDACTED];³⁴⁴ A total of around [REDACTED] competitors (excluding the Parties and in-house) have reached the late stage of a Retail or Borderline tender and/or supply a Retail or Borderline platform. The Parties also faced [REDACTED]

³⁴² FNZ Initial phase 2 Submission, paragraph 1.2(iii).

³⁴³ FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.11(b).

³⁴⁴ FNZ response to the phase 2 Provisional Findings, paragraph 4.8.

rivals at the RFI stage in the tenders classified as Retail and 'Borderline' in the Phase 2 Report.³⁴⁵

- (g) The many Software-only alternatives to GBST³⁴⁶ would ensure that GBST customers could not be harmed by the Merger.
- (h) All customers are able to self-supply some or all of their Platform Solutions, and some switch back to in-house provision. This is demonstrated by the example of [REDACTED].

GBST submission

8.166 GBST submitted that:

- (a) It has a narrower focus than FNZ and its software is typically only targeted at Retail Platforms where it has a strong offering, due in part to the depth of its functionality around pensions.
- (b) It competes closely with FNZ in the supply of Retail Platform Solutions in the UK and it has also monitored the following alternative suppliers who are active in this segment: Bravura, SS&C, SECCL, Ohpen, Sapiens, Hubwise and InvestCloud.
- (c) Among these competitors, the ones that it monitors more closely are [REDACTED] and [REDACTED] while others are a weaker constraint.

8.167 GBST submitted that each of the other suppliers we asked it about was a weaker competitive constraint on it than [REDACTED] or [REDACTED]:

- (a) Avaloq, SEI and Temenos do not focus on Retail Platform Solutions in the UK and do not have the functionality to administer pension tax wrappers, annuities, UK onshore and offshore bonds. Avaloq and Temenos are private banking solutions.
- (b) SS&C is a competitor, but its main product is 'a very bespoke implementation' and 'the cost of turning that into a competitive product has proven to be prohibitive for SS&C'.
- (c) It competes [REDACTED] with SEI and Pershing. Pershing is 'between a Retail and a private client solution'. It [REDACTED].

³⁴⁵ FNZ Remittal Submission, 9 March 2021, paragraphs 6.4-6.5.

³⁴⁶ [REDACTED].

- (d) TCS BaNCS [REDACTED]. In the Remittal, GBST added that TCS BaNCS operates bespoke solutions for legacy books and that GBST does not consider it is a competitor.
- (e) Hubwise is a small competitor and GBST does not see it as able to take and serve GBST's customers.
- (f) Objectway is not a strong competitor due to weakness in its technology.
- (g) Investcloud focusses on Platform Solutions to private client investment managers and on the US market, rather than the UK.
- (h) Ohpen [REDACTED] the cost of entering was too high.
- (i) Sapiens [REDACTED].
- (j) IRESS, Evaluate and Wealth Wizards do not have back office solutions that Retail Platforms need.
- (k) Torstone is a small supplier to private client investment managers without a full Retail offering, so does not compete with GBST in this market.
- (l) Fusion Box and Embark offer technology which is not comparable to FNZ or GBST's Platform Solutions.

Third party evidence

8.168 As mentioned above, customer views, alongside evidence submitted by consultants and suppliers in relation to the competitive dynamics, were a highly relevant source of evidence.

8.169 The third party scores analysis (see Figure 8.1 above) and the wider qualitative evidence from customers, competitors and consultants consistently show that Bravura is the closest competitor to the Parties and the only significant constraint.

8.170 Third party evidence also shows that in-house supply of Retail Platform Solutions is not an alternative to the Parties' offering for the vast majority of customers.

FNZ submissions

8.171 As described above, FNZ made a number of submissions about our third party evidence gathering which are addressed in more detail in Appendix B. For the reasons set out in Appendix B and summarised in paragraph 8.46, we

do not accept these submissions and we consider it is appropriate to place significant weight on third party evidence.

Our assessment of third party evidence

8.172 The third party scores analysis indicate how close an alternative other providers are to FNZ and GBST.

8.173 We set out the closeness scores given by third parties for the Parties and six other suppliers in Figure 8.1 above. The third party scores analysis show that on average:

- (a) For FNZ: GBST and Bravura were considered to be the closest alternative suppliers, with SS&C and SEI further behind, and Pershing, Avaloq and Temenos seen as less close alternatives.
- (b) For GBST: FNZ and Bravura were considered to be the closest alternative suppliers, with SEI, SS&C, Pershing, Avaloq and Temenos seen as less close alternatives.

8.174 The closeness scores are broadly consistent with the wider qualitative evidence from customers, competitors and consultants, which indicates that:³⁴⁷

- (a) Bravura is the closest alternative to the Parties:
 - (i) Third parties told us that Bravura's technology is comparable to FNZ and GBST and Bravura has similar experience and a good reputation in the UK market.
 - (ii) While Bravura only provides software, nine third parties considered Bravura in partnership with a servicing provider like Genpact to be a credible supplier of Combined Platform Solutions.³⁴⁸
 - (iii) Bravura was also the most frequently mentioned alternative supplier of Retail Platform Solutions in the UK by the Parties' customers at Phase 1 of our inquiry.³⁴⁹
- (b) SS&C, SEI and Pershing provide a weak constraint on the Parties:

³⁴⁷ See Appendix K for further details including references for this evidence.

³⁴⁸ Three customers ([REDACTED]), three competitors ([REDACTED]) and three consultants ([REDACTED]). Responses to the phase 1 and phase 2 third party questionnaires.

³⁴⁹ Those who responded to the phase 1 third party questionnaires.

- (i) Third parties said that although SS&C supplies Retail Platform Solutions in the UK, it is weaker than GBST, FNZ and Bravura because its only material customer relationship is with St. James Place, for which it provides a specific (closed architecture) solution. This means that SS&C does not offer an open architecture solution, which is preferred by several customers. Third parties also noted that SS&C has gaps in its product capability and also suffered a high-profile failure to implement a Platform Solution for Quilter (Old Mutual Wealth).
 - (ii) SS&C submitted that it is trying to compete in the supply of Retail Platform Solutions in the UK but is not as strong a competitor as it would like due to [REDACTED]. In particular, SS&C explained that in order to [REDACTED] with FNZ and GBST's offerings, [REDACTED].³⁵⁰ [REDACTED].
 - (iii) SEI told us that it can supply both Retail and Non-Retail Platform Solutions, but some third parties indicated that the breadth of SEI's offering is restricted, that it uses older technology than the Parties and has limited scale in the UK.
 - (iv) Pershing submitted that although it can supply both Retail and Non-Retail Platforms, its typical customers are Non-Retail Platforms. Other third parties shared this view and noted that Pershing is focused on Non-Retail Platforms.³⁵¹ Third parties submitted that Pershing has a dated technology with limited functionality and is expensive.
- (c) Avaloq and Temenos both told us that they do not compete with the Parties in the supply of Retail Platform Solutions in the UK:
- (i) Avaloq told us that the only exception to this is Investment Platforms that do not require it to offer pensions functionality or support Independent Financial Advisers such as some retail banks.
 - (ii) Temenos said that it is not active in the retail banking market on the wealth side; and
 - (iii) other third parties agreed with Avaloq and Temenos' comments that they do not represent a constraint on the Parties in the supply of Retail Platform Solutions.

³⁵⁰ See also Appendix K for further details.

³⁵¹ In this regard third parties also explained that Pershing is more focused on supporting the more complex requirements of the wealth market although one third party noted that it also offers a good level of UK wrapper support.

- (d) TCS BaNCS provides a limited competitive constraint upon each of the Parties³⁵², in spite of its relatively high estimated share of supply:
- (i) Both Phoenix and M&G confirmed that they receive services that are supplied by TCS BaNCS (including Diligenta).³⁵³ [REDACTED].^{354 355}
 - (ii) Broader evidence indicates that TCS BaNCS imposes a limited competitive constraint. TCS BaNCS submitted it has plans to expand in the UK Retail Platform space, but that increasing its presence would take time because customers are resistant to changing providers and while its work with [REDACTED] enables it to handle scaled, end-to-end operations in the UK, it does not help TCS BaNCS tender for pure investment opportunities in the market because it does not contribute towards this kind of track record. Only two of the Parties' customers (unprompted) out of 36 customers mentioned TCS BaNCS as a suitable alternative provider of servicing/BPO solutions.³⁵⁶ Also, only [REDACTED] (out of five consultants) that provided us information about the different suppliers considers TCS BaNCS as a suitable supplier of Retail Platform Solutions in the UK due to its 'experience in the sector'.³⁵⁷
- (e) Third parties also indicated that Hubwise³⁵⁸ and SECCL³⁵⁹ were possible suppliers of Retail Platform Solutions in the UK but not at the same scale as either of the Parties.³⁶⁰ Further evidence on views received from third parties on other competitors is set out in Appendix K.

Third party evidence on constraints from in-house supply

8.175 We also gathered third party views on whether in-house supply was a viable option.

- (a) Evidence from third parties generally suggests that in-house supply of software is not a significant constraint on the Parties because, as set out in Chapter 6, the supply of software in-house is not an option for the vast

³⁵² FNZ submitted that [REDACTED]. The evidence submitted by third parties to the CMA show, however, that TCS BaNCS provides a limited competitive constraint upon each of the Parties.

³⁵³ [REDACTED]

³⁵⁴ [REDACTED]

³⁵⁵ [REDACTED]

³⁵⁶ We did not include TCS BaNCS in the list of competitors for whom we prompted third parties to provide closeness scores as it had not been identified as a significant supplier of Retail Platform Solutions.

³⁵⁷ [REDACTED]

³⁵⁸ [REDACTED] also explained that its scale is preventing it from securing contracts with larger clients.

³⁵⁹ Although [REDACTED] plans to compete more closely with FNZ and GBST in the future, it explained that it will need two to five years before it becomes a credible alternative for the Parties current clients.

³⁶⁰ We consider these competitors' ability to expand in Chapter 9.

majority of the Parties' customers (20 out of 23 who gave a view on this) but only an option where the customer already has an in-house solution.

(b) In contrast, most customers (14 out of 19 who gave a view on this) said that in-house servicing was a viable option.³⁶¹

8.176 Overall, we currently consider that this indicates that in-house supply of software is not a significant constraint on the Parties due to the vast majority of customers' being dependent on external suppliers for the supply of their software (through either Software-only or Combined Platform Solutions).

Tender analysis

8.177 Participation and success in recent tenders for Platform Solutions provided insight into the constraint from alternatives on the Parties.

8.178 As set out below, we found, at this stage, that the tender data shows that Bravura is the closest competitor to both FNZ and GBST in the tender data and that other competitors, including SEI and SS&C impose only a weak constraint on the Parties.

8.179 We also note that TCS BaNCS [REDACTED], in spite of its relatively high share of supply.

8.180 We set out below

(a) FNZ's submissions on its own tender analysis;

(b) the results of our tender analysis; and

(c) our overall assessment of the tender data

FNZ tender analysis and submissions

8.181 Using its own tender analysis, FNZ stated that, since 2016, the following suppliers had won tenders in which it had competed:^{362,363}

(a) [REDACTED];

(b) [REDACTED];

³⁶¹ Customer responses to phase 2 customer questionnaires. Further details on in-house supply are provided in Chapter 6 and Appendix K.

³⁶² FNZ Initial phase 2 Submission, Annex 2. See also paragraphs 5.7-5.9 and footnote 63.

³⁶³ In the updated tender dataset [REDACTED].

(c) [REDACTED];

(d) [REDACTED]; and

(e) [REDACTED].

8.182 Based on its tender analysis, FNZ submitted that the Parties encountered [REDACTED] competitors, of which at least [REDACTED] won tenders in which either or both of the Parties participated. FNZ noted that it has also lost a tender [REDACTED].³⁶⁴

8.183 Using our tender analysis, FNZ subsequently identified [REDACTED] suppliers that had bid for contracts with Retail Platforms at the early stage of a tender.³⁶⁵ FNZ also identified [REDACTED] suppliers that had reached the final stage of a tender, either by directly identifying them from the tender evidence or by inferring that a supplier had reached this stage.

8.184 We note that suppliers who appear in our share of supply estimates may have reached the final stage of a tender at some point in the past but those tenders are not in our dataset because they may have occurred before 2016 and/or not involved the Parties. Some of these suppliers' shares may also be based on their historic supply of a legacy platform. Therefore, FNZ's identification of [REDACTED] suppliers which have reached the final stage of a tender does not give a reliable indication of constraints on the Parties.

CMA tender analysis

8.185 As previously mentioned, our tender analysis focuses on Retail tenders and is supplemented with a sensitivity analysis that includes Retail tenders and Sensitivity-Only tenders in order to assess the robustness of our results. We separately analyse tenders for Non-Retail Platform Solutions in Appendix J. Together, this allows us to evaluate the alternatives and constraints from both within and outside the relevant market.³⁶⁶

8.186 More detail of the methodology used is given in paragraphs 8.80 to 8.87. In Appendix J we also provide more detail on the methodology we adopted in compiling and assessing our tender dataset, the changes made to the tender dataset during the Remittal Inquiry and our sensitivity analysis including tenders for Non-Retail Platforms.

³⁶⁴ FNZ Initial phase 2 Submission, Annex 2.

³⁶⁵ FNZ Initial Remittal Submission, 12 February 2021, paragraph 2.11(i)

³⁶⁶ As noted above and in Appendix J, in this section we assess Retail tenders and conduct a sensitivity analysis that includes both Retail tenders and Sensitivity-Only tenders. Appendix J presents an assessment of tenders for Non-Retail Platform Solutions.

8.187 Qualitative information from tender evaluations as to the strength of different competitors is set out in Appendix K. This broadly matches the views expressed by third parties in their questionnaire responses.

8.188 The analysis includes:

- (a) the frequency of the Parties' and competitors' overlaps in tenders, both at an early and final stage;
- (b) the frequency of competitors winning tenders; and
- (c) qualitative evidence from customers' tender evaluations. As noted above, this aspect of our analysis is set out in Appendix K.

8.189 We first present the results of this analysis and then set out our overall assessment of the tender evidence.

Frequency of overlap with the Parties at the early stage

8.190 Figure 8.2 below summarises the results of our tender analysis by showing the frequency of other suppliers' overlaps with GBST or FNZ/JHC in tenders for Retail Platform Solutions (those that overlapped at least twice).

Figure 8.2. Number of times each supplier overlapped with GBST and FNZ/JHC at the early stage of Retail and Sensitivity-Only tenders (January 2016-February 2021)

[REDACTED]

[REDACTED]

[REDACTED]

Source: CMA analysis using data from the Parties, customers and competitors.

Note: [REDACTED]. The graph includes only competitors that overlapped with the Parties at least twice.

Suppliers which overlapped with GBST once in Retail tenders include: [REDACTED]

Suppliers which overlapped with GBST once in Sensitivity-Only tenders include: [REDACTED].

Suppliers which overlapped with FNZ/JHC once in Retail tenders include: [REDACTED]. Suppliers which overlapped with FNZ/JHC once in Sensitivity-Only tenders include: [REDACTED].

8.191 GBST was in partnership with Equiniti in [REDACTED] overlapping with FNZ.

8.192 [REDACTED] met GBST in a total of [REDACTED] and of these overlaps it was [REDACTED]. Bravura met FNZ/JHC in a total of [REDACTED] and of these overlaps it was in [REDACTED].

8.193 Since 2016, the Parties participated in a total of [REDACTED] Retail tenders: FNZ participated in [REDACTED], JHC in [REDACTED] and GBST participated in [REDACTED]. Figure 8.2. shows that the Parties overlapped in [REDACTED] of the Retail tenders. In terms of their overlap with other suppliers:

- (a) [REDACTED] overlapped with GBST [REDACTED] times and FNZ/JHC [REDACTED] times;

- (b) [X] overlapped with FNZ/JHC [X] times and with GBST [X];
- (c) [X] overlapped with GBST [X] times and FNZ/JHC [X];
- (d) [X] overlapped with GBST [X] times;
- (e) in-house solutions overlapped with GBST [X] times and with FNZ/JHC [X]; and
- (f) There is a tail of [X] suppliers who overlapped with the Parties fewer than three times in a Retail tender. Of these, [X] suppliers overlapped [X] with at least one of the Parties and the remaining [X] suppliers overlapped just [X] with at least one of the Parties.

8.194 The Parties therefore overlapped most in Retail tenders with [X].

8.195 Considering the results of the sensitivity analysis, FNZ, JHC and GBST have participated in [X], [X] and [X] tenders for Retail or Sensitivity-Only Platforms since 2016 respectively. The Parties, FNZ/JHC and GBST, overlapped in [X] tenders. Their overlaps with other suppliers was as follows:

- (a) [X] had the greatest number of overlaps for both Parties, overlapping with FNZ/JHC in [X] tenders and with GBST in [X] tenders.
- (b) Both [X] and [X] overlapped with FNZ/JHC in [X] tenders, and with GBST in [X] tenders.
- (c) In-house solutions overlapped with FNZ/JHC in [X] tenders, and with GBST in [X] tenders.
- (d) [X] overlapped with FNZ/JHC in [X] tenders, and with GBST in [X] tenders.
- (e) [X] overlapped with FNZ/JHC in [X] tender and with GBST in [X] tenders.
- (f) [X] overlapped with FNZ/JHC in [X] tenders and overlapped with GBST in [X] tenders.
- (g) There is a tail of [X] suppliers who overlapped with the Parties in Retail tenders and Sensitivity-Only tenders fewer than [X] times. Of these, [X] suppliers overlapped [X] with at least one of the Parties and the remaining [X] suppliers overlapped just [X] with at least one of the Parties.

8.196 The Parties therefore overlapped most in Retail and Sensitivity-Only tenders with [X].

Frequency of overlap with the Parties at the final stage

8.197 We examined the suppliers that overlapped with the Parties at the final stage of Retail tenders, which usually involves commercial negotiations.³⁶⁷

Overlaps with FNZ (JHC) at the final stage

8.198 Table 8.4 below shows the frequency with which FNZ and JHC met other competitors at the final stage in both Retail and Sensitivity-Only tenders.

Table 8.4. Frequency at which other suppliers overlapped with FNZ or JHC at the final stage in Retail tenders and Sensitivity-Only tenders (January 2016-February 2021)

Whether overlapped in Retail or Sensitivity-Only tenders	Competitor	FNZ + JHC	FNZ	JHC
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis using data from the Parties, customers and competitors.

Note: The Parties may have overlapped with more than one supplier at the final stage of a tender.

8.199 FNZ reached the final stage in [REDACTED] and JHC reached the final stage in [REDACTED].³⁶⁸

In terms of competitors met in the final stages of Retail tenders, as shown in Table 8.4:

- (a) FNZ overlapped with [REDACTED] in [REDACTED];
- (b) FNZ competed [REDACTED] in [REDACTED];
- (c) JHC reached the final stage in [REDACTED];
- (d) FNZ competed with [REDACTED] in [REDACTED]; and
- (e) in [REDACTED].

8.200 Within the sensitivity analysis:

³⁶⁷ See Appendix E.

³⁶⁸ Tenders in which they reached a final stage and when there was a competitor at that stage.

- (a) FNZ reached the final stage in [redacted] tenders, and in [redacted] of these it was the only bidder that we had identified at that stage; and
- (b) JHC reached the final stage in [redacted] tenders, and in [redacted] of these it was the only bidder that we had identified at that stage.

8.201 Of these, with regard to Sensitivity-Only tenders:

- (a) FNZ overlapped with [redacted]; and
- (b) [redacted] and [redacted].

8.202 Therefore, the only competitors FNZ has overlapped with [redacted] at the final stage of either a Retail or Sensitivity-Only tender are [redacted].

Overlaps with GBST at the final stage

8.203 GBST reached the final stage in [redacted] tenders and in [redacted] of these Retail tenders, [redacted].³⁶⁹ Table 8.5 below shows the frequency with which GBST overlapped with other suppliers in the remaining [redacted] Retail tenders.

Table 8.5. Frequency with which other suppliers overlapped with GBST at final stage in Retail tenders (January 2016-February 2021)

Competitor	Frequency
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Source: CMA analysis using data from the Parties, customers and competitors.
 Note: The Parties may have overlapped with more than one supplier at the final stage of a tender.

8.204 In terms of competitors met in the final stages of Retail tenders, as shown in Table 8.5:

- (a) [redacted];
- (b) [redacted]; and
- (c) [redacted].³⁷⁰

³⁶⁹ We considered all tenders in which GBST reached the final stage.
³⁷⁰ [redacted] and [redacted] reached the final stage in the same tender, while [redacted] and [redacted] reached the final stage of [redacted].

8.205 [REDACTED].

8.206 Therefore, the [REDACTED] has overlapped with at the final stage of a Retail or Sensitivity-Only tender [REDACTED].

Winners of tenders where the Parties bid

8.207 We also analysed the winners of Retail tenders and Sensitivity-Only tenders where the Parties bid. This is set out in Figure 8.3.

Figure 8.3. Number of times each supplier won a Retail tender or Sensitivity-Only tender in which GBST or FNZ/JHC participated

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Source: CMA analysis using data from the Parties, customers and competitors.

Note: This includes all competitors who have won a tender for Retail Platforms and Sensitivity only platforms when overlapping with the Parties, including tenders in which a winner was chosen or a supplier was ranked first at the final stage but the customer abandoned the project. The graphs exclude, therefore, on-going tenders and abandoned tenders that concluded without a clear winner.

8.208 Figure 8.3 shows that in Retail tenders:

- (a) FNZ or JHC lost [REDACTED] to [REDACTED] and [REDACTED] at the final stage in [REDACTED];
- (b) [REDACTED] and [REDACTED] at the final stage in any tender [REDACTED];
- (c) [REDACTED] tenders to [REDACTED] and were present at the final stage in the [REDACTED] tenders [REDACTED] won;
- (d) GBST lost [REDACTED] tenders to FNZ or JHC and were present at the final stage in [REDACTED]; and
- (e) GBST lost [REDACTED]. [REDACTED].

8.209 The sensitivity analysis found that in addition to the results mentioned above:

- (a) FNZ or JHC lost [REDACTED] to each of [REDACTED], [REDACTED] and [REDACTED].
- (b) GBST lost [REDACTED] to each of [REDACTED] and [REDACTED].

8.210 Given that, in general, each competitor has only won a tender against the Parties a small number of times, we primarily used other evidence from

tenders to assess the degree of constraint on the Parties, in particular overlaps with the Parties at the early stage and final stage of tenders.

Our overall assessment of the tender data

8.211 We found, at this stage, that Bravura is the closest competitor to both FNZ and GBST based on the tender data:

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED]; and
- (d) [REDACTED].

8.212 We found that each Party is the second closest competitor to the other in the tender data. [REDACTED].

8.213 We now consider competitors with whom the Parties overlap less frequently than each other and Bravura, but still on multiple occasions. The tender evidence indicates that SEI is only a weak constraint on the Parties:

- (a) SEI overlapped with FNZ or JHC in [REDACTED] and with GBST in [REDACTED], compared to the Parties overlapping [REDACTED] times. It [REDACTED] overlap with the Parties at the final stage of any Retail tenders.³⁷¹
- (b) even if include Sensitivity-Only tenders that does not materially change these results – SEI overlapped at an early stage with FNZ in [REDACTED] tenders and GBST in [REDACTED] tenders, compared with the Parties overlapping [REDACTED] times; and it [REDACTED] overlap with the Parties at the final stage of any tender.

8.214 The tender evidence also indicates that SS&C is only a weak constraint on the Parties:

- (a) SS&C overlapped with FNZ or JHC in [REDACTED] and GBST in [REDACTED]. It overlapped [REDACTED] with GBST and [REDACTED] with FNZ or JHC at the final stage in a Retail tender.
- (b) Even if we include Sensitivity-Only tenders that does not materially change these results – SS&C overlapped with FNZ or JHC in [REDACTED] tenders

³⁷¹ [REDACTED]. However, the customer confirmed [REDACTED] and so it has not been included in our analysis. For more information see appendix J.

in the sensitivity analysis and GBST in [REDACTED] tenders in the sensitivity analysis, and had [REDACTED] additional overlaps in the final stage of a tender.

- (c) Although SS&C won [REDACTED] against each Party, [REDACTED] ([REDACTED]).³⁷² This is consistent with SS&C's Platform Solutions being considered by third parties to be the most suitable for these platforms.^{373,374}
- (d) While FNZ submitted that [REDACTED], the evidence shows that:
- (i) [REDACTED], this provides limited evidence to support the position that SS&C's competitive offering is getting stronger;
 - (ii) SS&C has bid in [REDACTED] Retail tenders ([REDACTED] in the sensitivity analysis) since 2016 and reached the final stage in a tender [REDACTED]. This is [REDACTED] than either FNZ,³⁷⁵ GBST³⁷⁶ or Bravura;³⁷⁷
 - (iii) SS&C won [REDACTED] and [REDACTED].³⁷⁸ [REDACTED] these were for Non-Retail Platforms; and
 - (iv) [REDACTED] won the [REDACTED] and [REDACTED]). [REDACTED], SS&C had some form of an incumbent position (ie provided other related services to these customers) and therefore had an advantageous position over other suppliers. [REDACTED].

8.215 [REDACTED] with GBST, no other competitor overlapped with either of the Parties in more than [REDACTED] tenders even at an early stage in the supply of Retail Platform Solutions:

- (a) [REDACTED],³⁷⁹ overlapped with GBST in three tenders [REDACTED]. The sensitivity does not materially change our analysis: [REDACTED] overlapped with GBST in [REDACTED] tenders in the sensitivity, but still [REDACTED]. FNZ [REDACTED] ([REDACTED]) and [REDACTED];
- (b) [REDACTED] overlapped with GBST [REDACTED] times and [REDACTED] with FNZ. In only [REDACTED] of these tenders did [REDACTED] compete at the final stage ([REDACTED] against GBST). [REDACTED]. [REDACTED] participation in [REDACTED] tenders was limited to [REDACTED] customers [REDACTED] and is not indicative of significant and widespread competition. [REDACTED] told

³⁷² Advised vertical platforms only provide their own advice to customers. Advised horizontal platforms allow third party advice to customers.

³⁷³ [REDACTED]

³⁷⁴ See Appendix K.

³⁷⁵ FNZ bid in [REDACTED] tenders ([REDACTED] in the sensitivity analysis) and reached the final stage in [REDACTED] ([REDACTED] in the sensitivity analysis). JHC bid in [REDACTED] tender ([REDACTED] in the sensitivity analysis) and reached the final stage in [REDACTED]

³⁷⁶ GBST bid in [REDACTED] tenders ([REDACTED] in the sensitivity analysis) and reached the final stage in [REDACTED] tenders ([REDACTED]).

³⁷⁷ Bravura [REDACTED] ([REDACTED]) and reached the [REDACTED].

³⁷⁸ [REDACTED]. However, [REDACTED] has confirmed that this tender has not completed and no winner has been chosen yet [REDACTED]. Based on information provided by [REDACTED] this tender has been classified as Non-Retail.

³⁷⁹ [REDACTED].

us that it targets insurers as customers, that it competes with FNZ and GBST only occasionally, but plans to compete more closely with GBST on mid-lower tier opportunities.

- (c) [REDACTED] participated in [REDACTED] Retail tender. [REDACTED] overlapped with FNZ in [REDACTED] and with GBST [REDACTED]. [REDACTED]. In our sensitivity analysis, [REDACTED] participated in [REDACTED] tenders, overlapping with FNZ in [REDACTED] and GBST [REDACTED]. [REDACTED] won [REDACTED] in the sensitivity [REDACTED].
- (d) [REDACTED] participated in [REDACTED] Retail tenders. It participated in [REDACTED] in the sensitivity analysis and overlapped with JHC [REDACTED], FNZ [REDACTED] and GBST [REDACTED]. It reached the final stage in [REDACTED] of these tenders against JHC.
- (e) [REDACTED] participated in [REDACTED] Retail tenders. It overlapped [REDACTED] times with FNZ or JHC and [REDACTED] with GBST at the early stage in tenders in the sensitivity analysis. This is consistent with [REDACTED] focus on Non-Retail Platforms. It indicates that [REDACTED] may be able to compete for some customers whose platforms have both Retail and Non-Retail elements, but that [REDACTED] is not a constraint on the Parties where they compete more closely, for example in tenders with a stronger Retail focus. Qualitative evidence from a tender for [REDACTED]:
 - (i) [REDACTED]; and
 - (ii) [REDACTED].
- (f) [REDACTED] overlapped [REDACTED] with GBST [REDACTED] with FNZ in Retail tenders ([REDACTED]). [REDACTED] reached the final stage and won [REDACTED] when competing against GBST. As explained by [REDACTED], its proposition is much narrower than GBST's proposition as it provides mainly front-office tools and its software tends to be used alongside GBST rather than replacing it.
- (g) [REDACTED] overlapped [REDACTED] with GBST and [REDACTED] with FNZ in Retail tenders ([REDACTED]). In this tender, [REDACTED].
- (h) Hubwise overlapped [REDACTED] times with GBST and [REDACTED] with FNZ in Retail tenders. In the sensitivity analysis Hubwise overlapped with FNZ [REDACTED]. [REDACTED]. This indicates that Hubwise may be a slightly stronger constraint than the quantitative data may otherwise suggest but nevertheless it remains an infrequent competitor against the Parties.
- (i) No other suppliers overlapped with the Parties in more than [REDACTED] tenders when we include Sensitivity-Only tenders (including suppliers that focus on Non-Retail Platforms).

8.216 We also note that TCS BaNCS overlapped with FNZ or GBST in [REDACTED] of the tenders in our dataset, in spite of its relatively high estimated share of supply.³⁸⁰ This is consistent with evidence from third parties³⁸¹ and from TCS BaNCS³⁸² itself suggesting that it is focused on supporting legacy platforms, and has a significantly different product offering than either FNZ or GBST.

8.217 We considered FNZ's submission that the Parties are constrained by a large number of competitors that appear at least once in the tender data.³⁸³ However, we currently do not consider that these competitors would impose a material competitive constraint on the Parties post-merger because:

- (a) Aside from the competitors identified above, the other competitors appeared in our tender data at most [REDACTED], in most cases only at the early stage of a tender. They were not mentioned by third parties as important competitors to the Parties and did not appear in FNZ's or GBST's internal documents.
- (b) There is no evidence to suggest that the presence of a large number of weaker competitors would collectively impose a substantial constraint on the Parties, especially given the importance of experience, reputation and scale in customers' choice.

8.218 An in-house Platform Solution was identified as an option in [REDACTED] of the [REDACTED] tenders for Retail Platforms, and in all cases, in-house was the incumbent solution. An in-house solution was [REDACTED] considered where the incumbent Platform Solution was already outsourced. This indicates that in-house supply is a constraint [REDACTED] when a Retail Platform is considering switching from in-house to outsourced Platform Solutions.

8.219 Appendix J presents the alternatives to the Parties in Non-Retail tenders, at both early and final stages, and the winners on those tenders. This assessment shows a predominantly different set of suppliers competing in tenders for Non-Retail Platforms to those competing for Retail Platforms.

³⁸⁰ TCS BaNCS only appears in [REDACTED] we have information for ([REDACTED]). As discussed in Appendix J, given the specific features of these processes we have put little weight on these in our assessment. FNZ stated that it competed in a tender process for [REDACTED] business in 2020 and understood that it [REDACTED]. However, [REDACTED] did not consider its process to be a formal tender as it was intended to help build an internal business case on whether to apply for investment and funding to consider a change of suppliers and did not progress past the RFI stage. With regard to [REDACTED], it was seeking a specific Platform Solution.

³⁸¹ See paragraph 8.174 (d).

³⁸² [REDACTED]. See also paragraphs 8.162 and 8.174.

³⁸³ FNZ Remittal Submission, 9 March 2021, paragraphs 6.4-6.5. FNZ stated that: (i) a total of around [REDACTED] competitors (excluding the Parties and in-house) have reached the late stage of a tender for Retail Platform Solutions since 2016 and/or supply an existing platform; and (ii) The Parties also faced [REDACTED] rivals at the RFI stage in tenders for Retail Platform Solutions.

8.220 We therefore currently consider on the basis of our tender analysis that only Bravura offers a similar constraint on the Parties to the one the Parties exert on each other in the supply of Retail Platform Solutions.

Internal documents

8.221 We explained above (see paragraph 8.114 onwards) the weight we are placing on documents produced by the Parties or by third party consultants and advisers.

8.222 We have considered the evidence in the Parties' internal documents on the competitive constraints from alternative suppliers and from in-house supply.

8.223 [REDACTED]. Other competitors, such as [REDACTED], are mentioned noticeably less frequently by FNZ. [REDACTED] is mentioned less often than even these other suppliers.

FNZ submissions

8.224 FNZ submitted that its internal documents mention many other suppliers, as well as GBST and Bravura, and that internal documents demonstrate the level of competition between FNZ and other suppliers.

Our assessment

FNZ internal documents

8.225 FNZ's internal documents show that FNZ [REDACTED].

8.226 Some FNZ documents, including management presentations from 2018 and 2019, refer [REDACTED]. A third party report prepared for FNZ also states that [REDACTED].

8.227 Other competitors, such as [REDACTED]. [REDACTED] is mentioned less often than even these other suppliers. Further, the context of such mentions generally [REDACTED].

8.228 [REDACTED]. Third party documents for FNZ also indicate this.

8.229 We found that many FNZ internal documents consider the wider Platform Solutions sector in which FNZ operates, not just the Retail Platform Solutions in the UK market which we are considering.

GBST internal documents

8.230 We found GBST's documents are more focussed on the supply of Retail Platform Solutions, as this is where it is most active.

- 8.231 GBST's internal documents (as described in paragraph 8.129) primarily [REDACTED].
- 8.232 These documents refer to [REDACTED]. A few GBST documents mention [REDACTED]. [REDACTED] is only mentioned in a very limited number of documents [REDACTED]. The documents typically [REDACTED].
- 8.233 A consultant's report for GBST treat [REDACTED]. One document identifies [REDACTED].
- 8.234 Like FNZ, GBST's internal documents show that [REDACTED].
- 8.235 GBST's internal documents also show that [REDACTED].
- 8.236 Overall, the evidence from internal document is consistent with Bravura being the main competitive constraint on the Parties.

Provisional conclusion on competitive constraint from alternatives

- 8.237 We find, at this stage, that Bravura, GBST and FNZ are the closest competitors in the supply of Retail Platform Solutions. Bravura is the only competitor that offers a similar constraint on the Parties to the one that the Parties exert on each other. Other competitors such as SS&C, SEI and TCS BaNCS, in general, exert only a weak constraint on the Parties.
- 8.238 Taken together, evidence from third parties, tenders, and the Parties' internal documents shows that Bravura provides a strong constraint on the Parties. This includes providing a strong constraint on FNZ's Combined Platform Solutions, even though Bravura does not have its own servicing capabilities.
- (a) Third parties told us that Bravura is a close competitor to FNZ and, in particular, GBST. They noted that Bravura's technology, experience and reputation is comparable to FNZ and GBST in the supply of Retail Platform Solutions in the UK.
 - (b) Our tender analysis also shows that Bravura is a close competitor to each of the Parties. [REDACTED], the tender evidence, overall, indicates that Bravura is a strong alternative to GBST.
 - (c) GBST's internal documents typically identify Bravura, together with FNZ, as GBST's main competitors. To the extent that they provide insight into competitive conditions, FNZ's internal documents also identify Bravura as a competitor to FNZ.
- 8.239 We currently consider that SS&C and SEI are the next closest competitors aside from Bravura but that, in general, they exert only a weak constraint on the Parties.

- (a) Third parties on average gave SS&C a lower rating on how close an alternative it was to the Parties compared to how close an alternative the Parties are to each other. Third parties, including SS&C, also provided evidence that SS&C is a weaker competitor than GBST, FNZ and Bravura, in particular due to limitations with SS&C's software. Consistent with this evidence, [REDACTED].
- (b) Third parties considered that SEI was a less close alternative to the Parties compared to how close an alternative the Parties are to each other. Some indicated that the breadth of its offering is restricted, that its technology is not as modern as the Parties, and that it has limited scale in the UK. Consistent with this evidence, [REDACTED].
- (c) GBST's internal documents identify SS&C and SEI as competitors, but as less of a constraint than FNZ and Bravura. To the extent that they provide insight into competitive conditions, FNZ's internal documents also identify SS&C, SEI and other suppliers as competitors. However, these documents do not indicate that any of these competitors exert a material constraint on FNZ.

8.240 The only other competitor with a material presence in our share of supply estimates is TCS BaNCS. However, third party evidence indicates TCS BaNCS also appears to offer only a limited competitive constraint on each of the Parties. While TCS BaNCS has a relatively high share of supply, this is largely due to M&G and Phoenix consolidating legacy products into TCS BaNCS platforms, where these products have high AUA. As discussed above, TCS BaNCS appears significantly differentiated from the products and services offered by the Parties given its focus on legacy products. [REDACTED].

8.241 We found that evidence on other competitors (including those who appear to operate primarily outside the market for Retail Platform Solutions) indicated that, in general, they provide only a weak constraint on each of the Parties in the supply of Retail Platform Solutions:

- (a) Third parties indicated that they were not close alternatives to either Party in the supply of Retail Platform Solutions, although some may exert a stronger constraint on FNZ at the Non-Retail end of FNZ's broader target customer base.
- (b) Third parties indicated that the constraint from Pershing, Avaloq, and Temenos is generally limited, especially on GBST, due to their strengths in Non-Retail Platforms Solutions, rather than Retail Platform Solutions. They also indicated that Hubwise and SECCL were possible suppliers of

Retail Platform Solutions in the UK but not at the same scale as either of the Parties.

- 8.242 Our tender analysis indicates that these other competitors are generally not close alternatives to either of the Parties. They overlap infrequently with either Party in tenders for Retail Platform Solutions and even less at the final stage of these tenders ([REDACTED]). Our sensitivity analysis does not change these results.
- 8.243 As noted above, with the exception of Bravura, neither Party's internal documents indicated that other competitors would exert a material constraint on each of the Parties.
- 8.244 Although FNZ pointed to a large number of competitors that appeared in at least one tender alongside FNZ or GBST - around [REDACTED] competitors in late stage tenders and an additional [REDACTED] competitors at the RFI stage³⁸⁴ - we currently find that in practice these other competitors impose only a weak constraint on the Parties.
- 8.245 We currently find that in-house supply of software does not impose a significant constraint on suppliers of Investment Platform Solutions.
- (a) third parties indicated that in-house supply of software is only viable for very few customers, although in-house supply of servicing is viable more widely;
 - (b) our tender analysis showed that in-house supply of software is primarily an option for Retail Platforms who already self-supply and who are considering outsourcing against continuing this model; and
 - (c) each Party's documents view in-house Platform Solutions as an opportunity to sell more business rather than a competitive constraint.

Magnitude of any SLC

FNZ submissions

- 8.246 FNZ submitted that the CMA's analysis failed to establish whether there is an SLC by investigating the magnitude of the subset of the market affected by the alleged weakening of competition in relation to the size of the market as a whole. It submitted that Retail Platforms would only be expected to experience significantly reduced competition where (cumulatively):

³⁸⁴ FNZ Remittal Submission, 9 March 2021, paragraphs 6.4-6.5.

- (a) The Platform is not open to supply from a 'Non-Retail Platforms solutions provider' (this includes 'Borderline' Platform Solutions as well as Non-Retail Platform Solutions).
- (b) The Platform is open to supply of either Software-only or a Combined Platforms service delivery model.
- (c) The Platform intends to tender in the near future and not currently self-supplying (and does not view in-house supply of software as a good alternative to out-sourcing).³⁸⁵

8.247 It submitted that very few platforms would meet these conditions and, if such platforms only cover a minimal part of the market, any lessening of competition in relation to those platforms is also minimal.³⁸⁶

Our assessment

8.248 There are a number of indicia that point, subject to countervailing factors, to a lessening of competition arising from the Merger as being substantial.

8.249 First, a number of customers expressed concerns in relation to the effects of the Merger (see Appendix P). The reasons raised by customers include that the Merger would have an adverse effect on price, quality or innovation or simply reduce the number of suppliers.

8.250 Second, we find, at this stage, that the Retail Platform Solutions market includes [X] Retail Platforms which manage AuA with a value of around £[X] (an average of more than £[X] per platform). Any such customers (and potentially future customers, such as those that currently use in-house supply) are likely to be adversely affected by the Merger where they value the Parties' services and consider them as close competitors. Platforms with Retail and Non-Retail elements may also be negatively affected where they still view the parties as potential suppliers of Platform Solutions.

8.251 Third, we note that the commercial terms agreed with each of these customers can also vary and affect the way particular customers are impacted. Some customers may be less affected, such as those customers which have a strong preference for a Combined Platform Solutions from a single supplier and those with preferences that are closer to Non-Retail Platforms. However, even GBST customers with a strong preference for

³⁸⁵ FNZ Remittal Submission, 9 March, Annex 1, section 2.1.

³⁸⁶ NoA, paragraphs 65 to 68. See also FNZ Initial Remittal Submission, paragraph 5.29 which states 'FNZ does not consider that a single platform would meet the above criteria; much less a sufficient proportion of the market to give rise to an SLC'.

GBST's software-only model are likely to be affected by the Merger due to the loss of competition between FNZ and GBST in relation to product development. In particular, FNZ and GBST's internal documents indicate that competition with FNZ was a key driver of GBST's product development.

8.252 We, therefore, do not agree that only platforms meeting FNZ's conditions above are likely to be affected by the Merger. Furthermore, focusing only on customers who may tender in the near future ignores that tenders are infrequent due to the significant costs and risks involved in switching Platform Solutions provider as discussed in Chapter 7. Platforms may be affected even if they do not intend to tender in the near future, given the potential for degradations in service or quality even within contract periods, and the potential effect of a reduction of outside options on bargaining power between parties in renegotiating contracts.

8.253 For this reason, subject to any countervailing factors, we anticipate that the Merger will lead to an SLC for a substantial proportion of the Retail Platforms that are current or potential customers of the Parties, even if not every customer will equally be affected.

8.254 This SLC can also affect end consumers using the Retail Platforms affected by the Merger. These end customers can experience a degradation in the terms of the offering they receive from their Retail Platforms, either in terms of the price, service or quality of the Platform Solutions supplied.³⁸⁷ As noted above, each Retail Platform is responsible for administering an average of more than £[redacted] in assets. Given that millions of people make investments through such platforms, even if the total number of platforms affected is smaller than the overall number of platforms available, this could still have a significant effect on many end investors.³⁸⁸

Provisional conclusions on the competitive effects of the merger

8.255 We currently find that FNZ is a strong competitor in Retail Platform Solutions in the UK. FNZ's capabilities in both software and servicing, which are proven at scale, give it a distinct market offering. Some competitors, such as GBST and Bravura, do not have the same servicing model as FNZ, whereas others have weaknesses in their software.

³⁸⁷ A letter from the FCA to Investment Platforms highlighted 'Insufficient investment, processes and resources for technology and operations can lead to business continuity issues with services to customers and advisers being unavailable, intermittent or restricted.' [FCA letter](#), 6 February 2020. This shows that a degradation in service from Platform Solutions providers can have a direct effect on end customers.

³⁸⁸ We note that, for long term investments such as pensions even a very small increase in fees can have a substantial adverse impact on the value of the investment.

8.256 In differentiated bidding markets, such as the market for the supply of Retail Platform Solutions in the UK, shares of supply do not fully capture the closeness of competition between firms and accordingly shares of supply have been given limited weight in our competitive effects assessment. Evidence from third parties, tenders and internal documents was consistent in showing that the Parties compete closely against each other and that, with the exception of Bravura, other suppliers (including those who appear to operate primarily outside the market for Retail Platform Solutions) generally offer only a weak constraint:

- (a) First, third parties indicated that FNZ and GBST are close alternatives to each other. We found that there is a group of customers that consider FNZ and GBST to be close alternatives, with Bravura being the only other supplier noted by some of these customers as competing as closely as the Parties do with each other. Evidence from third parties indicated that, in general, other suppliers are weak competitors to the Parties.
- (b) Second, the Parties, together with Bravura, [REDACTED]. This evidence indicated that in general other suppliers are only a weak constraint on the Parties. [REDACTED], [REDACTED] and [REDACTED] were tied with the next most overlaps with one of the Parties but [REDACTED] and [REDACTED] only overlapped at the final stage [REDACTED] with one of the Parties. [REDACTED] at the final stage with either of the Parties. Other suppliers competed significantly less often at the early stage of tenders than the Parties did with each other. These other suppliers did not [REDACTED]. We also found very similar results when looking at the sensitivity case including a wider set of tenders (see paragraph 8.1958.194).
- (c) Third, GBST's internal documents typically identify FNZ and Bravura as its main competitors. To the extent that they provide insight into competitive conditions, FNZ's internal documents also identify GBST and Bravura as competitors to FNZ. With the exception of Bravura, neither Party's internal documents suggest that other competitors would exert a material constraint on the Merged Entity.

8.257 This evidence shows that, even though GBST and Bravura do not have their own servicing capabilities, they compete closely with FNZ's Combined Platform Solutions. In particular, GBST and Bravura were the only suppliers that have competed with FNZ [REDACTED].

8.258 Third party evidence and our tender analysis indicate that in-house supply of software is viable for very few Retail Platforms and is typically limited to situations where customers already self-supply software. The Parties' internal documents also demonstrate that they view in-house Platform Solutions as an opportunity to sell more business rather than as a competitive constraint.

- 8.259 We find that switching supply of Retail Platform Solutions is complex, risky, lengthy, and expensive for customers. This puts customers in a weaker bargaining position, which exacerbates our concerns over the loss of competition between the Parties resulting from the Merger.
- 8.260 As the Merger will remove the rivalry between GBST and FNZ, we currently consider that it is likely to result in negative outcomes for Retail Platforms in terms of price and quality of service. Any customers of Retail Platform Solutions (including potentially future customers, such as those that currently use in-house supply) are likely to be adversely affected by the Merger. Retail Platforms that consider the Parties to be close alternatives are more likely to be affected. However, even GBST customers with a strong preference for GBST's software-only model are likely to be affected by the Merger because the loss of competition between FNZ and GBST in relation to product development.
- 8.261 End consumers using the Retail Platforms affected by the Merger can also experience a degradation in the terms of the offering they receive from their Retail Platforms, either in terms of the price, service or quality of the Platform Solutions supplied. Given that millions of people make investments through such platforms, even if the total number of platforms affected is smaller than the overall number of platforms available, this could still have a significant effect on many end investors.
- 8.262 We have therefore provisionally found that, subject to our findings on any Countervailing Factors, the Merger has resulted or may be expected to result in an SLC in the market for the supply of Retail Platform Solutions in the UK.

9. Countervailing factors

- 9.1 When considering whether a merger may be expected to result in an SLC, we consider factors that may mitigate the initial effect of a merger on competition ('countervailing factors') which in some cases may mean that there is no SLC. These factors include:
- (a) the responses of other suppliers (such as rivals and potential new entrants) to the merger, for instance the entry into the relevant market of new providers or expansion by existing providers;
 - (d) the ability of customers to exercise buyer power; and

(e) the effect of any rivalry-enhancing efficiencies arising as a result of the merger.³⁸⁹

Entry and expansion

- 9.2 As part of the assessment of the effect of a merger on competition, we look at whether entry by new firms or expansion by existing firms may mitigate or prevent an SLC from arising.
- 9.3 We considered whether entry or expansion would be likely to outweigh the SLC we found in relation to the supply of Retail Platform Solutions in the UK and we considered whether entry and/or expansion would be timely, likely, and sufficient.³⁹⁰
- 9.4 We considered the extent to which there are barriers to entry or expansion in the supply of Retail Platform Solutions in the UK and the possible sources of entry or expansion.

Views of FNZ

- 9.5 FNZ told us that the barriers to entry and expansion ‘are not such as to discourage any credible competitor and are reducing further as a result of continuing regulatory convergence’.
- 9.6 FNZ provided a list of examples of recent new entrants into the Platform Solutions market, including UBS, Hubwise, SECCL, Aladdin (Blackrock), Multrees and GPP Wealth Solutions.
- 9.7 FNZ told us that examples of likely entry or expansion are, by their nature, difficult to predict, but that FNZ is aware of the following current specific examples of expansion:
- (a) ‘Avaloq and Temenos: actively bidding for supply of Solutions for Advised Platforms in the ‘open’ advice sector in Australia;
 - (b) SS&C: actively looking to win business in the advised segment (specifically the IFA sub-segment). IFDS (now SS&C) has already won two large customers, St James’s Place and Old Mutual Wealth (now Quilter) (although as noted above it subsequently lost the Old Mutual Wealth contract, which FNZ believes was due to cost overruns);

³⁸⁹ MAGs, sections 5.7-5.9.

³⁹⁰ MAGs, paragraph 5.8.3.

- (c) entry by start-up companies such as Hubwise and SECCL; and
 - (d) BlackRock: expanding Aladdin into a WMP Solution to directly compete with FNZ.'
- 9.8 FNZ also mentioned two further 'challenger Solution providers': Focus Solutions and Third Financial.
- 9.9 FNZ told us that companies which supply similar markets internationally do not need to redevelop their products for the UK, allowing them to enter cost-effectively.³⁹¹ FNZ noted the following examples:³⁹²
- (a) 'Avaloq: processes c.320,000 customers with BT Panorama servicing legacy Financial Planning Firms in Australia;
 - (b) Pershing: with \$2 trillion in AUA globally, has significantly more scale than FNZ;
 - (c) SEI: provides solutions for Wells Fargo wealth management in the USA, one of the largest-scale US wealth management businesses; and
 - (d) Temenos: provides solutions for Macquarie Wrap financial planning platform in Australia, which FNZ understands accounts for 300,000 or more customers.'
- 9.10 FNZ told us that the requirements of Non-Retail Platforms encompass those of Retail Platforms and enable them to serve Retail Platforms quickly and at lower cost, as technology and administration requirements are the same.³⁹³ FNZ told us that acquiring pensions administration capabilities is not necessary and is, in any case, comparatively straightforward.³⁹⁴ It gave the example of Avaloq doing so in Australia and suggested that a provider of Combined Platform Solutions could work with a software-only provider to access the pensions solution.
- 9.11 Further, FNZ submitted that a number of providers were well placed to enter and/or expand into the Retail Platforms segment if prices were to rise, stating that:³⁹⁵
- (a) [REDACTED];

³⁹¹ FNZ Initial phase 2 submission, paragraph 4.41.

³⁹² FNZ Initial phase 2 submission, paragraph 4.41 (i)-(iv). These comments were in relation to entry into the Platform Solutions space more broadly and not just the retail segment.

³⁹³ FNZ Initial phase 2 Submission, paragraph 4.33.

³⁹⁴ FNZ Initial phase 2 Submission, paragraphs 4.35-4.38.

³⁹⁵ FNZ response to the phase 2 Provisional Findings, paragraph 3.17.

- (b) providers such as Avaloq, Pershing and Temenos operate at scale and already have a proven track record of supplying competitive Platform Solutions in the UK and internationally; and
 - (c) the third party evidence indicates that a wide range of suppliers are considered alternatives to FNZ and GBST.'
- 9.12 FNZ told us that the barriers to entry and expansion are low, particularly for large global providers that are already present in the UK, such as Pershing, Avaloq, TCS BaNCS and Temenos.
- 9.13 FNZ submitted that our timely, likely and sufficient criteria can be satisfied by Pershing, Avaloq, TCS BaNCS and Temenos.
 - (a) Timely: 'Where contracts are determined in tender processes, the relevant question is how quickly a non-Retail focused supplier could, at the commercial negotiations stage, reach a position to make a credible bid to serve a Retail Platform. This is the stage [...] at which substantive competition takes place.'
 - (b) Likely: FNZ told us that these entities already operate at scale and within the UK; have the necessary expertise and financial resources to supply Retail Platforms and a track record of competing against FNZ in the UK and internationally. It noted that CMA evidence showed that Avaloq and Pershing were recognised by the CMA's survey participants as credible alternatives to GBST more often than FNZ, and Temenos was recognised the same number of times, highlighting their strong reputation. FNZ submitted that Retail Platforms represented a sufficient incentive for these suppliers in terms of their annual recurring revenue.
 - (c) Sufficient: FNZ told us that a new or expanded competitor would be able to compete against the merged entity on comparable terms, in respect of goods, services and price.
- 9.14 FNZ said that entry and expansion are enabled by platforms switching and that its tender data showed [redacted] instances of retail customers switching over the last ten years.
- 9.15 It said that the market trend towards outsourcing provided further opportunities: it identified [redacted] instances of major retail customers outsourcing Platform Solutions over the past ten years.
- 9.16 It also noted that 'platforms using proprietary solutions still account for more than [redacted] of AUA held on Investment Platforms and that, if only a modest

proportion of these platforms would switch to an outsourcing model, that would imply substantial new opportunities.’

9.17 GBST made no submissions on entry and expansion.

9.18 GBST’s internal documents contained [redacted]³⁹⁶ Its documents [redacted].

Views of third parties

9.19 We contacted competitors, consultants and customers seeking views on barriers to, and potential for, entry and expansion in the market for Retail Platform Solutions in the UK.

9.20 The views of these third parties indicate that there are significant barriers to entry and expansion in the supply of Retail Platform Solutions.

9.21 Competitors told us that developing a new software solution for the Retail Platform market in the UK is challenging. They said that it takes time, money and requires a lot of specific expertise to develop the software and enhance its functionality to support customer and regulatory requirements. No competitor told us that entry into this market was easy.

9.22 Some third parties mentioned scale as a barrier:

(a) SECCL told us that customers select on the basis of capital strength;

(b) Hubwise mentioned that the supplier’s balance sheet would be taken into account; and

(c) Avaloq mentioned scale as a factor.

9.23 SS&C told us that the unwillingness of platform operators to consider moving to a new platform is a challenge, particularly for a new entrant.

9.24 Competitors mentioned that international companies entering the UK can face challenges:

(a) Bravura told us that [redacted] supplier, had won a large, initial client in the UK but that implementation was not successful and [redacted] had subsequently closed its UK business.

(b) Hubwise said that some international companies fail in the UK market because it is unique.

³⁹⁶ See Chapter 6.

Our assessment

- 9.25 The tender evidence indicates that, in general, new entrants have little prospect of winning tenders for Retail Platform Solutions or exerting a significant constraint on the Parties.
- 9.26 Using the tender dataset updated and modified during the Remittal Inquiry, we examined the outcome of [REDACTED] completed tenders for Retail Platform Solutions (Retail tenders) since 2016 where there was an incumbent solution:³⁹⁷
- (a) [REDACTED] out of [REDACTED] customers switched from a purely in-house solution to an external supplier.³⁹⁸
 - (b) [REDACTED] out of [REDACTED] customers switched from an external supplier to another external supplier. The remaining [REDACTED] customers continued with the incumbent external supplier.
- 9.27 We also conducted a sensitivity analysis which included both Retail tenders and tenders identified to be a part of our sensitivity analysis (Sensitivity only tenders). There were [REDACTED] tenders in the sensitivity analysis since 2016 where there was an incumbent solution.³⁹⁹ Out of the [REDACTED] tenders we found that:
- (a) [REDACTED] out of [REDACTED] customers switched from a purely in-house solution to an external supplier.
 - (b) [REDACTED] out of [REDACTED] customers switched from one or more external suppliers to another external supplier. The remaining [REDACTED] customers continued with the incumbent external supplier.
- 9.28 FNZ's examples of switching were over a longer time period which may indicate that, before 2016, there were more opportunities for new entrants.
- 9.29 As described above, we consider, at this stage that customers were far more likely to switch from an in-house solution than from an external supplier. This means there are low prospects for new entrants to win new customers in the future, particularly given that many Retail Platforms have already outsourced their Platform Solutions.

³⁹⁷ [REDACTED] out of the [REDACTED] Retail tenders are not included in the switching analysis. [REDACTED] tenders are for new Platforms and, therefore, do not have an incumbent solution to switch from. [REDACTED] on-going, and [REDACTED] were abandoned before a winner was chosen.

³⁹⁸ [REDACTED]

³⁹⁹ Of the [REDACTED] Retail and sensitivity only tenders [REDACTED] were not included because they were for a new proposition, [REDACTED] were not included because they were abandoned before a winner was selected and [REDACTED] was not selected because it is currently ongoing.

- 9.30 We also found, at this stage, that compared to established suppliers of Retail Platform Solutions such as FNZ, GBST and Bravura, other suppliers, including new entrants, have participated significantly less frequently in tenders for Retail Platforms, both at the early and final stages.⁴⁰⁰ Ohpen, a new entrant in Retail Platform Solutions in the UK won a tender in 2016, but the project ceased in 2018. No other new entrant has won a tender for a Retail Platform against one or both Parties since 2016.
- 9.31 We investigated the most credible sources of entry and or expansion into the UK market for Retail Platform Solutions. We found that:
- (a) Some of the companies mentioned by FNZ such as UBS and Aladdin (by BlackRock) do not compete for the same customers as FNZ and we saw no evidence that this will change in the medium term.
 - (b) Some of the other companies mentioned by FNZ are already active in the UK, such as SS&C, Focus Solutions, Third Financial and GPP Wealth Solutions, but these are not recent entrants and their presence has already been taken into account within our competitive assessment. We saw no evidence of expansion plans by any of these suppliers.
- 9.32 As concluded in Chapter 6, it is lengthy and costly for Non-Retail Platform Solutions suppliers to adapt their offering and difficult to lower their costs to compete strongly in the supply of Retail Platforms. For example, SS&C told us that it would be keen to build a significantly larger presence in the UK retail advisory, direct-to-customer and institutional wealth management sectors. However, it also submitted that the work needed to 'accommodate the needs of the retail investment platform market which as a sector remain stubbornly unprofitable, does not appear to hold great appeal'.
- 9.33 We consider, therefore, that entry or expansion is more likely to come from one of the following sources:
- (a) Entry by large international competitors into the relevant market in the UK such as Pershing, Avaloq, TCS BaNCS and Temenos. We assessed whether these firms are likely to impose a sufficient competitive constraint against the Merged Entity in a timely manner; and
 - (b) expansion by recent new entrants such as the three most consistently cited firms, Hubwise, SECCL and Multrees. We focussed on the extent to

⁴⁰⁰ See Chapter 8.

which these three recent entrants could expand to provide a stronger constraint than they currently do.

9.34 We set out the evidence in relation to these two sources of potential entry and expansion below.

Large international competitors

9.35 Our competitive assessment found that Pershing, Avaloq, TCS BaNCS and Temenos are not currently close competitors of FNZ or GBST.

9.36 Avaloq told us that:

(a) [REDACTED].

(b) When asked what would make it consider entering the market, Avaloq said that this [REDACTED].

(c) It is currently focusing on wealth managers and private banks, but it is exploring other areas. It intends to 'compete more closely for these Retail Platform customers, those without an IFA or pensions focus, such as Investment Platforms with retail components offered by Banks.

9.37 Temenos told us that:

(a) it is not active in the retail wealth market, but that the market is growing and [REDACTED].

(b) [REDACTED]. It said that it [REDACTED].

9.38 We found that only Pershing and TCS BaNCS had any ambition or intention to expand or grow in the Retail Platform Solutions market:

(a) Pershing considers that it is able to serve Retail Platforms although its typical customers are Non-Retail Platforms. In our competitive assessment, we classified the Investment Platforms that Pershing supplies as Sensitivity only because they may have both Retail and Non-Retail characteristics; and

(b) TCS BaNCS said that it wants to expand its UK business and replicate the success it has had with [REDACTED] in the next three to five years. It said that its lack of presence today is because it is new to the UK market, not due to lack of intent or product incapability but that it takes time to increase market presence. It said that UK market participants tend to be in it long-term and customers are resistant to changing providers. It said that it will be tough to win business from FNZ due to its strength in the market.

9.39 The evidence above shows that at least two firms had an intention to expand into the Retail Platform Solutions market in the UK; however, neither had specific plans to do so in a timely way. We found that it takes a significant period of time to expand in this market and the evidence above indicates that there will not be entry or expansion which is timely or likely to affect material change in the market in the near term.

Smaller competitors

9.40 The three most consistently cited recent new entrants were Hubwise, SECCL and Multrees.

9.41 Hubwise told us that it is already active in the market and aims to compete head to head with FNZ 'soon'. It considers that it is some way ahead of SECCL in terms of capability and market recognition'.

9.42 Hubwise has been focused on platforms business for the last three years and said that it is already supplying Platform Solutions and has strong demand from medium-sized customers with £[redacted] of assets. It said that it intends the total assets held on its platforms to reach £[redacted] in 2020, £[redacted] in 2021 and £[redacted]. It told us that it will [redacted]. Hubwise internal documents include [redacted] AUA by [redacted].

9.43 SECCL provides Combined Platform Solutions to Retail Platforms and it said that it also aims to supply software only. It won its first customer in 2018 and said that it offers the same services as FNZ but at a far smaller scale. It currently supplies platforms with around £[redacted] of assets and said that it will have over £[redacted] of assets managed on its platform. It said that when its system is complete ([redacted]), it will be able to attract large customers with assets of around £[redacted]. It said that it would not currently target FNZ and GBST's customers directly because they would be looking to transfer at least £[redacted] of assets or much more and it does not currently have the ability to handle such clients, and they would probably not have the risk appetite to engage SECCL at present.

9.44 SECCL told us that it plans to compete strongly and expand as rapidly as possible. However, it said that it takes time and investment until new providers start making a profit.

9.45 Multrees was established in 2010. It said that it is not a product (tax wrapper or fund supermarket) provider. It does not create its own products or provide financial advice but is an 'independent, unconflicted open-architecture business'. It said that FNZ targets 'big-ticket deals which leaves the middle of the market open to other suppliers'. It said that it does not need major

investment in order to grow because it has scalable infrastructure which means that it can add more business without employing significantly more staff. [REDACTED].

9.46 We found that each of these firms is much smaller than FNZ, GBST, Bravura and SS&C in terms of AUA of customers served:

(a) FNZ has over £[REDACTED] AUA and its largest customer is [REDACTED] with over £[REDACTED] AUA.

(b) GBST's largest customer is [REDACTED] with \$[REDACTED] AUA.

(c) FNZ told us that St. James's Place, served by SS&C, has US\$110 billion AUA and Fidelity International, a Bravura customer, has US\$[REDACTED] AUA.

9.47 None of the smaller firms supplying Retail Platform Solutions in the UK are currently able to serve the size of customers that FNZ and GBST do. From reviewing their expansion plans we do not consider this will change in any reasonable time horizon.

Additional evidence on entry and expansion

9.48 Our tender analysis (in Chapter 8) shows that:

(a) FNZ/JHC have not bid against [REDACTED];

(b) FNZ/JHC have only bid against [REDACTED] in a Retail tender or Sensitivity only tender. Similarly, FNZ/JHC have only bid against [REDACTED]. There is no evidence of expansion by these competitors based on recent tender analysis.

(c) FNZ/JHC have bid against Pershing [REDACTED] in a Retail tender and [REDACTED] in a Sensitivity only tender. Pershing [REDACTED].

9.49 Regarding the ability of another firm to achieve scale in a timely manner, an FNZ presentation '[REDACTED]'. We consider that this demonstrates the significant time it took FNZ to achieve scale in the market.

9.50 FNZ told us that switching can and does happen. We found that switching occurs (albeit infrequently) and we agree with FNZ that the length of time it takes to switch does not automatically rule out entry or expansion being

timely. However, we found that switching costs are high for Retail Platforms⁴⁰¹ and therefore that they increase barriers to entry.

Conclusion on whether entry or expansion would be timely, likely and sufficient to prevent an SLC

- 9.51 The evidence we saw does not support entry and expansion as being timely, likely and sufficient to outweigh the SLC:
- (a) We investigated potential entry from suppliers of Non-Retail Platform Solutions. We have seen no evidence from suppliers to Non-Retail Platform that this is likely;
 - (b) We found evidence of expansion by smaller firms over recent years, but their expansion has been limited to date and the evidence suggests that their future expansion would not be of sufficient scale to constrain the Merged Entity in a timely manner; and
 - (c) We found no evidence of planned entry by larger suppliers to Non-Retail Platforms that would be timely to constrain the Merged Entity.
- 9.52 We found that there are material barriers to timely entry and expansion in the Retail Platforms market. In particular, internal documents from FNZ suggested that significant time is required to achieve scale in this industry and we found that switching costs are high.
- 9.53 We conclude that entry by new rivals or expansion by existing providers would not be timely, likely and sufficient to outweigh the SLC.

Buyer power

- 9.54 In some circumstances, a customer may be able to use its negotiating strength to limit the ability of a merged firm to raise prices. We refer to this as countervailing buyer power. The existence of countervailing buyer power may make an SLC less likely.⁴⁰²
- 9.55 The extent to which customers have buyer power depends on a number of factors. A customer's negotiating position will be stronger if it can easily switch away from the supplier or if it can otherwise constrain the behaviour of the supplier. Typically, a customer's ability to switch away from a supplier will be stronger if there are several alternative suppliers to which it can credibly

⁴⁰¹ See Chapter 7.

⁴⁰² [MAGS](#), paragraph 5.9.1.

switch, or it has the ability to sponsor new entry or enter the supplier's market itself by vertical integration. Where customers have no choice but to take a supplier's products, they may nonetheless be able to constrain prices by imposing costs on the supplier, for example by refusing to buy other products produced by the supplier.⁴⁰³

FNZ submissions

9.56 FNZ submitted that customers have substantial power to constrain the Parties and will continue to do so for the foreseeable future. It said that 'customers are typically very large, sophisticated entities, with significant commercial power, in-house IT expertise, and access to advice and assistance from one of several major consultancy firms.'

9.57 FNZ gave the following reasons for customers having substantial power to constrain the Parties:

- (a) They control the tender process. Tenders are detailed and extensive, resulting in 'intense competition' amongst suppliers; tenders give customers a lot of information from potential suppliers which results in an information asymmetry;
- (b) individual contracts are not tendered very frequently so the onus is on suppliers to compete fully for every opportunity; there is a strong incentive to reach an agreement with a customer, as failing to win a new contract presents a significant lost opportunity for revenue; and
- (c) customers can, and do, review terms if business conditions have changed and they may renegotiate pricing mid-contract. Contracts often contain protections to ensure that customers are on the most advantageous pricing available.⁴⁰⁴

Our assessment

9.58 To assess buyer power, we used evidence from our tender analysis and from internal documents and third parties. We found, at this stage, that while customers use tenders to drive competition between suppliers, there are significant limitations on the extent that they can exploit this process to limit the ability of the Merged Entity to raise prices or otherwise worsen its offering.

⁴⁰³ MAGS, paragraph 5.9.3.

⁴⁰⁴ FNZ submitted that [REDACTED].

9.59 The evidence we considered show that customers use tenders to drive competition between suppliers:

- (a) When tendering for a new supplier, customers are generally in control of the process. Our tender analysis shows that customers decide whether and when to start a tender process and how it should run.
- (b) when tendering, customers are able to drive competition amongst suppliers to obtain good terms on their contract. For example, a customer told us that: [REDACTED].
- (c) Customers may engage with other suppliers in order to create competitive tension between them and get better terms. This includes situations when a preferred supplier has been identified. For example, a consultant advising [REDACTED] in its tender process recommended progressing discussions with multiple suppliers to maintain competitive tension even though one supplier was better suited;
- (d) Customers whose contracts are due to expire may initiate a tender in order to get a better offer from their incumbent supplier. FNZ internal documents show that customers may consider the option of remaining with their current supplier or switching to an in-house solution.
- (e) Customers may refer to other suppliers' terms in order to negotiate and improve contract terms. For example:
 - (i) An FNZ customer [REDACTED].
 - (ii) A GBST customer [REDACTED].
- (f) the frequency of tenders (especially for larger customers) is low. For these, there may be greater pressure on suppliers to try to win the contract by offering competitive terms, as it would account for a significant, and potentially long term, gain in revenue.

9.60 We also currently consider that the evidence indicates that some larger customers may have more negotiating power than smaller customers. Aegon told us that, because it may be GBST's largest customer in the UK, there might be reputational damage to the Merged Entity if it lost Aegon as a customer.

9.61 However, there are significant limitations on the extent that they can exploit this process to limit the ability of the Merged Entity to raise prices or otherwise worsen its offering.

- 9.62 First, customers' negotiating strength is significantly limited by there being only a few alternative suppliers to which they can credibly switch. As found in our competitive assessment, FNZ and GBST compete closely against each other and, with the exception of Bravura, other suppliers generally offer only a weak constraint.
- 9.63 Second, we found that switching costs are high (see Chapter 7) and the costs and difficulties involved in switching reduce the negotiating strength of a Retail Platform customer seeking to renew a contract with an existing supplier.
- 9.64 The Merger would reduce an already limited number of credible alternatives for the customers to choose from, significantly reducing the power that customers can exert. The removal of an important alternative for Retail Platforms in the UK reduces the buyers' ability to switch, or to threaten to switch, to a credible alternative supplier.
- 9.65 Customers, competitors and consultants have all commented that there are limited options available for Retail Platforms to choose from and note that the Merger has made this situation worse.
- (a) One consultant submitted that 'there is already a scarcity of credible suppliers for large organisations looking for stable, established partners to work with' and the 'merger would significantly reduce choice'.
- (b) A customer, [X], uses two software suppliers (GBST and JHC) because it is unable to get all of the functionality it needs from a single supplier. It considers that it is easier to move data between its two incumbent systems than it would be to switch to a new supplier. It told us that using two software suppliers has the advantage of creating commercial tension between the suppliers and to provide it with some operational optionality.
- 9.66 Third, even if some customers have greater leverage over the Parties due to their size, the limited options available to them significantly reduces their negotiating strength.
- 9.67 Also, any leverage that some customers may have, due to their size or because there are a wider range of alternatives that meet their requirements, would not protect other customers from price rises given that commercial terms vary with each customer.
- 9.68 Finally, as set out above, we found that the threat of entry or expansion does not appear to be a credible opportunity for customers seeking alternatives.

Conclusion on buyer power

- 9.69 We found that customers can generate competitive tension through their tender processes, and that this may include using tenders to get better terms from their supplier.
- 9.70 However, we found that this does not equate to countervailing buyer power:
- (a) Customers have a limited choice of suppliers when they do wish to switch and this reduces their negotiating power.
 - (b) Our tender analysis and third party views indicate that Retail Platforms do not readily switch suppliers due to the high costs in doing so. The difficulty of switching puts customers in a weaker bargaining position with their suppliers.
- 9.71 We found that larger customers may have more bargaining power and may be able to negotiate better terms with suppliers, while smaller ones have a weaker negotiating position.
- 9.72 The Merger will result in customers losing one of the few major suppliers which could credibly provide an alternative and hence they will have less negotiating leverage with their supplier. They will be in a weaker position following the merger, whatever their negotiating strength previously.
- 9.73 We concluded on the basis of the evidence set out above that the Parties, after the Merger, are unlikely to be prevented from worsening their offer by their customers' buyer power.

Rivalry-enhancing efficiencies

- 9.74 We considered whether there were any efficiencies arising from the merger that could be considered as a countervailing factor to the SLC we found.
- 9.75 In order for any efficiency claimed to be considered a countervailing factor the evidence must demonstrate the following criteria is met: timely, likely, sufficient and merger-specific, and it should result in increased rivalry in the relevant market, that is, it should incentivise the merger parties to improve their offering.⁴⁰⁵

⁴⁰⁵ [MAGs](#), paragraph 5.7.4(a).

FNZ submissions

9.76 FNZ has not made any specific representations about rivalry-enhancing efficiencies.⁴⁰⁶ It told us that the Merger will generate significant benefits and that there may be two key benefits to GBST's customers from the Merger:

- (a) [X] R&D spend, improving and enhancing GBST's software; and
- (b) an opportunity for GBST customers to transition from an on-site software model to a fully outsourced processing model, saving money in the process.

Our assessment

9.77 Efficiency claims can be difficult for the CMA to verify because most of the information concerning efficiencies is held by the merging firms. We therefore expect the Parties to provide sufficient evidence to demonstrate that rivalry enhancing efficiencies will arise as a result of the Merger.

9.78 Although FNZ has claimed that the Merger will give rise to benefits to GBST's customers, based on the evidence we saw, we do not consider that the two benefits set out above amount to rivalry-enhancing efficiencies.⁴⁰⁷ We saw no evidence that any cost savings will be passed on to customers nor that improvements in quality, range, or service are offset by degradation in other parameters.

9.79 While access to FNZ technology might be attractive to some GBST customers if, as a result of the Merger, FNZ is able increase prices and/or invest less in future development, then there is effectively no pass-through of the benefits, and so no increase in rivalry.

9.80 In addition, the opportunity to have access to FNZ's technology and expertise is not Merger-specific. It is currently available to GBST's customers who could choose to switch to FNZ absent the Merger.

Conclusion on rivalry enhancing efficiencies

9.81 We concluded that FNZ has not demonstrated that the Merger would result in rivalry-enhancing efficiencies which would offset the SLC we found.

⁴⁰⁶ FNZ has submitted that there are RCBs. These are assessed in the Remedies Paper.

⁴⁰⁷ [MAGs](#), paragraph 5.7.2.

Conclusion on countervailing factors

9.82 We concluded that there are no countervailing factors to the SLC we found in the provision of Retail Platform Solutions in the UK.

10. Provisional findings on SLC

10.1 As a result of our assessment, we have provisionally found that the Merger has resulted in the creation of an RMS.

10.2 We have provisionally concluded that the creation of that the Merger has resulted, or may be expected to result, in an SLC, as a result of horizontal unilateral effects, in the supply of Retail Platform Solutions in the UK.

10.3 As we have provisionally found that the Merger has resulted, or may be expected to result, in an SLC, the Remittal Group has also made a provisional decision on the remedy that would be effective and proportionate to address the SLC. This is the subject of the Remedies Paper published alongside the provisional findings.