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# Appendix A: Terms of reference and conduct of the inquiry

## Terms of reference

1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 (the Act), the Competition and Markets Authority (CMA) believes that it is or may be the case that:
  - (a) a relevant merger situation has been created, in that:
    - I. Enterprises carried on by FNZ have ceased to be distinct from enterprises carried on by GBST; and
    - II. the condition specified in section 23(2)(b) of the Act is satisfied; and:
  - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including the market for the supply of solutions involving software and/or servicing to retail investment platforms.
2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 22 September 2020, on the following questions in accordance with section 35(1) of the Act:
  - (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 substantial lessening of competition within any market or markets in the United Kingdom for goods or services.

**Joel Bamford**  
**Senior Director**  
**Competition and Markets Authority**  
**8 April 2020**

## Conduct of the inquiry

3. On 8 April 2020, the CMA, in exercise of its duty under section 22(1) of the Act referred the completed 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) (the Merger) for further investigation and report by a group of CMA panel members (Phase 2 Inquiry).
4. The CMA published the biographies of the members of the inquiry group conducting the Remittal Inquiry on the inquiry [webpage](#) on 25 January 2021, the administrative timetable for the inquiry was published on the inquiry [webpage](#) on 29 January 2021.
5. We also published the conduct of the remittal notice on 29 January 2021. The FNZ response to the conduct of the remittal notice was received on 12 February 2021 and published on 16 February 2021. We received no other responses to the conduct of the remittal notice.
6. We issued detailed questionnaires to various third parties including competitors and customers of FNZ and GBST (the Parties). We supplemented these questionnaire responses with a number of telephone calls as well as supplementary written questions. Evidence submitted during Phase 1 and Phase 2 was also considered during the Remittal Inquiry.
7. We received written evidence from the Parties in the form of submissions and responses to information requests.
8. We held separate oral representations meetings with each of FNZ and GBST on 2 March and 5 March 2021 respectively.
9. A non-confidential version of our provisional findings report has been published on the [inquiry webpage](#).
10. We would like to thank all those who have assisted in our inquiry.

## **Appendix B: Our approach to the assessment of the evidence**

### ***Introduction***

1. We reconsidered evidence received as part of the Phase 2 Inquiry and considered a broad range of evidence, including the views of the Parties and third parties, tender data and tender evaluation documents from potential customers and an extensive number of internal documents from the Parties.
2. This evidence reflects current competition in the market, as well as potential changes in the market in the foreseeable future, using the plans and strategies of the Parties and third parties.
3. In considering the weight to be placed on each piece of evidence, we have taken into account factors such as its robustness, how long ago and the purpose for which it was produced. We have not relied on any one piece of evidence to inform our decision. We assessed all of the evidence together in the round to inform our competitive assessment and the consideration of countervailing factors.
4. In this Appendix we describe the evidence we gathered to inform our assessment and how we used it, with the exception of evidence from tenders and share of supply estimates, which is covered separately in Appendix J and Appendix I.
5. This Appendix is structured as follows:
  - (a) first, we set out how we considered the submissions made and evidence provided by the Parties during the Phase 2 Inquiry and the Remittal Inquiry;
  - (b) second, we set out how we considered evidence from internal documents;
  - (c) third, we set out how we considered evidence from third parties, including a summary of our approach to the collection of third party evidence during the remittal and assessment of FNZ's submissions on third party evidence; and
  - (d) finally, we summarise our approach to the overall assessment of the evidence in the round.

### ***Evidence from the Parties***

6. We considered all the evidence submitted by the Parties during the Phase 1 Inquiry as well as the Phase 2 Inquiry.
7. In addition, we also considered the Parties' responses to our informal and mandatory requests for information and the Parties' written submissions<sup>1</sup> during the Remittal Inquiry, as well as the Parties' oral submissions at the Oral Representations meeting.
8. During the Remittal Inquiry, FNZ submitted that, in the Phase 2 Inquiry, the CMA [X], including in relation to the definition of Retail Platforms and the classification of specific platforms.<sup>2</sup>
9. GBST submitted that the evidence it put forward to the CMA throughout the inquiry has been tested with third parties, including importantly GBST's customers and that the information provided by GBST to the CMA in response to requests for information was factual and based on GBST's experience of the relevant market and its own business.
10. We consider that the views of both Parties (as those of third parties) may be influenced to some extent by commercial or other incentives. We considered all submissions carefully and with due scepticism, and we judged the extent to which the evidence available to us supports the views submitted. Where appropriate, we sought further evidence to ensure that our conclusions are properly informed both during the Phase 2 Inquiry and the Remittal Inquiry.
11. The weighting we have given submissions from each of the Parties was determined by the extent to which we are able to corroborate them. We reminded both Parties, as well as all third parties, that it is a criminal offence to knowingly or recklessly mislead us.

### ***Use of evidence from internal documents***

12. We set out below our approach to the use of internal documents as a source of evidence.
13. Internal documents are a useful source of evidence as they reflect how the merging parties assess the market in the ordinary course of business and when making strategic decisions. We have reviewed the Parties' internal documents to understand their assessment of competitive conditions within the Retail Platform Solutions market, including their assessments of the

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<sup>1</sup> FNZ Initial Remittal Submission, 12 February 2021.

<sup>2</sup> FNZ Initial Remittal Submission, 12 February 2021, paragraphs 6.1-6.3.

positioning and activities of their competitors. Evidence of how rivalry operated prior to the Merger helps us to understand how rivalry is likely to be affected by the Merger.

14. Our assessment of internal documents takes into account the following:
  - (a) The context of a document: we take into account the purpose for which it was prepared. We typically place greater weight on documents ultimately prepared to inform decision making by senior management in some way as these are likely to be most reflective of the Parties' strategic thinking.
  - (b) The purpose of the document: the fact that a competitor's name appears in a document is less informative than the context in which it appears.
  - (c) What the overall body of internal documents shows. We consider factors such as the different treatment of competitors in different types of documents, and the extent to which different competitors are monitored across the total set of internal documents.
  - (d) Internal documents may not lend themselves to a mechanistic assessment: where there is a heterogeneous set of internal documents and diversity in the presentation of information even within a particular document, an arithmetic approach to measuring the assessment of competitors in those documents (for example, by calculating the number of times a competitor's name is used, or the number of documents in which the competitor is mentioned) is unlikely to be meaningful.

#### *Parties' views on the Phase 1 Inquiry's assessment of internal documents*

15. The Parties provided their views in relation to the internal documents we analysed in the Phase 1 Inquiry. Their main comments are provided below.
  - (a) FNZ noted that 'the CMA puts undue emphasis on internal documents, and incorrectly focuses on GBST internal documents as evidence of GBST's constraint on FNZ'. FNZ further explains that 'while such documents may evidence GBST's aspirations to compete with FNZ, they do not provide any reliable evidence of whether GBST actually exerts any material constraint on FNZ.'<sup>3</sup>
  - (b) In response to this FNZ statement, GBST submitted that [REDACTED].
  - (c) FNZ submitted that its 'internal documents support the presence of a range of competitors.' FNZ further submitted that in the phase 1 Decision

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<sup>3</sup> FNZ Initial phase 2 Submission, paragraph 6.22.

the CMA also referred to a range of competitors in the internal documents produced by the Parties.<sup>4</sup>

(d) In addition, FNZ submitted that, based on the CMA's descriptions of GBST's internal documents, [REDACTED].<sup>5,6</sup>

16. FNZ also submitted that the [REDACTED]. Specifically, FNZ made the following submissions:

(a) [REDACTED].

(b) [REDACTED].<sup>7</sup>

(c) [REDACTED].<sup>8,9,10</sup>

17. FNZ submitted that [REDACTED]:

(a) [REDACTED].

(b) [REDACTED].

18. In response to the CMA's clarification request on the [REDACTED], FNZ also noted the following:

(a) [REDACTED].

(b) [REDACTED].

19. FNZ commented on some other documents that were used in the phase 1 decision [REDACTED]. These included:

(a) A document showing that [REDACTED].

(b) A document [REDACTED].

20. FNZ submitted that, with respect to competition between JHC and GBST, [REDACTED]:

(a) [REDACTED].<sup>11</sup>

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<sup>4</sup> Based on the FNZ documents cited at paragraph 187 of the phase 1 Decision, these competitors include [REDACTED].

<sup>5</sup> FNZ Initial phase 2 Submission, paragraph 5.11. [REDACTED].

<sup>6</sup> FNZ Initial phase 2 Submission, paragraph 5.11.

<sup>7</sup> FNZ Initial phase 2 Submission, paragraph 5.10. [REDACTED].

<sup>8</sup> FNZ Initial phase 2 Submission, paragraph 6.23.

<sup>9</sup> FNZ initial phase 2 submission, paragraph 6.23. FNZ notes that [REDACTED].

<sup>10</sup> FNZ Initial phase 2 Submission, paragraph 6.23.

<sup>11</sup> FNZ submitted that [REDACTED]

(b) FNZ also submitted that [REDACTED];<sup>12</sup> and

(c) [REDACTED].<sup>13</sup>

21. FNZ submitted that [REDACTED]. [REDACTED].<sup>14,15</sup>

22. We took account of the Parties' submissions in the Phase 1 Inquiry when assessing internal documents in the Phase 2 Inquiry and during the Remittal Inquiry.

### *Approach to our phase 2 assessment of internal documents*

23. We gathered a large number of internal documents from the Parties which had been submitted during the Phase 1 Inquiry as well as through information requests in the Phase 2 Inquiry. The Parties submitted over 18,000 documents throughout both phases of the investigation.

24. In selecting documents for review, we primarily focused on those that were provided in response to the questions in the information requests that in any way related to the Parties' monitoring of competitors. Given the large number of documents, we used a keyword search to identify those documents that were most relevant.

25. From over 18,000 documents, we identified around 300 documents relevant to assessing the nature of competition between the Parties and their competitors and we reviewed these in-depth.

26. In our in-depth internal documents review, we used just under 40 internal documents which we identified as the most relevant for assessing the Parties' monitoring of competitors.

27. In considering the weight to be placed on each internal document, we took into account the following relevant factors: the author; the purpose for which the internal document was produced, and when it was created.

28. We put equal weight on both Parties' internal documents when considering both the level of possible constraint from GBST on FNZ as well as the level of possible constraint from FNZ on GBST.

29. When reviewing internal documents, we sought to consider all constraints, including from alternatives that may sit outside the relevant market in which

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<sup>12</sup> [REDACTED]

<sup>13</sup> FNZ response to the phase 2 Issues Statement, paragraphs 2.31-2.32.

<sup>14</sup> [REDACTED]

<sup>15</sup> FNZ response to the phase 2 Issues Statement, paragraph 2.32.



the Parties overlap,<sup>16</sup> such as from suppliers focused on Non-Retail Platforms and the in-house supply of software.

30. The internal documents provided by the Parties include, but are not limited to, the following categories of documents:
- (a) from FNZ: board packs, management presentations, board minutes, strategy presentations, other presentations to the board (including those related to the Merger), overviews of the market, services agreements, responses to requests for information or proposals and third party reports; and
  - (b) from GBST: management presentations, strategy presentations, CEO board reports, overviews of the market, lost opportunity presentations, variation agreements, responses to requests for information or proposals and emails.

*Approach to in-depth review*

31. We reviewed internal documents that we identified as relevant to the following areas of the competitive assessment, which are covered in this methodology:
- (a) closeness of competition between the Parties; and
  - (b) competitive constraints imposed on the Parties by other suppliers.
32. Internal documents used in other areas of this investigation were considered if they were also deemed relevant to the areas covered by this competitive assessment. Internal documents which were solely focused on other areas of investigation, such as tender analysis, R&D, switching costs, product market definition, are covered in other parts of our assessment.
33. First, we identified the internal documents submitted in response to our information requests as either relating to closeness of competition or competitive constraints or both.
- (a) For FNZ: Table B.1 lists the questions used to generate internal documents from FNZ.

**Table B.1: Questions used to generate internal documents from FNZ**

[X]

Source: CMA analysis.

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<sup>16</sup> As set out in Chapter 6.

- (b) For GBST: Table B.2 below lists the questions used to generate internal documents from GBST.

**Table B.2: Questions used to generate internal documents from GBST**

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Source: CMA analysis.

34. We then used the following suggested keywords to identify the relevant documents from each Party (the keywords returned around 300 documents):
- (a) For closeness of competition, the keywords suggested were: GBST (for FNZ/JHC documents), FNZ (for GBST documents), JHC (for GBST documents).
  - (b) For competitive constraints, the keywords suggested were: Bravura, Genpact, Equiniti, SS&C (IFDS), Delta, SEI, Avaloq, Pershing, Temenos, TCS (Tata Consultancy Services), Hubwise, Seccl, Multrees, Genpact, Equiniti, Fadata, IMiX, Objectway, IRESS, Ohpen, Dunstan Thomas, competitor.
35. The documents where the keywords appeared were reviewed and tagged based on the degree of their relevance as high, medium, not relevant or faulty.
36. A second, more in-depth review was done of those internal documents, which were tagged as being of high relevance for the Phase 2 Inquiry and which are reflected directly in Appendices C, D, L and M. When we found near-duplicate versions, we used the most recent version.

#### *Approach to our remittal assessment of internal documents*

37. We used the phase 2 assessment of internal documents and its subsequent analysis, as a starting point for our assessment of internal documents during the Remittal Inquiry. During the Remittal Inquiry, the Parties submitted over 200 further documents.
38. Documents received as part of the Remittal Inquiry were mostly updated information and updated versions of documents provided throughout the Phase 1 Inquiry and the Phase 2 Inquiry, as well as new internal documents, mainly related to tender processes and, for GBST, internal documents related to the level of integration of GBST's Wealth Management and Capital Markets divisions and other aspects of GBST's business relevant for the assessment of potential risks of a possible partial divestment remedy.
39. During the Remittal Inquiry, we focused our review on those internal documents screened as relevant for our understanding of the share of supply

estimates and tender data and for our assessment of potential risks of a possible partial divestment remedy.

40. We also reviewed in more detail documents identified as relevant in the Phase 2 Inquiry in which the Parties monitored other suppliers of Investment Platform Solutions to understand if they contained any further evidence on the competitive strength of SS&C, TCS, SEI, Avaloq, Temenos and Pershing, which were identified as suppliers or potential suppliers of Retail Platform Solutions in the Phase 2 Inquiry.

### ***Evidence from third parties***

41. We obtained evidence from third parties received during the Phase 1 Inquiry and the Phase 2 Inquiry, as well as during the Remittal Inquiry via calls and responses to written questionnaire.
42. As part of the Phase 2 Inquiry we sent questionnaires to:
  - (a) All of the Parties' customers<sup>17</sup> and two potential customers by reference to ongoing or expected tenders ([✂]) (51 in total);
  - (b) the 15 suppliers of Platform Solutions which were prioritised based on FNZ's submissions about the suppliers it monitored and on whether additional information was required to complement the evidence collected in the Phase 1 Inquiry. In addition, shorter questionnaires were sent in the Phase 2 Inquiry to eight additional suppliers with a minimal presence in the supply of Platform Solutions and with no focus on the supply of Retail Platform Solutions, some of which were identified in the Main Party Hearings and from whom more targeted information was gathered; and
  - (c) five industry consultants who were identified by the Parties as having relevant expert knowledge based on information submitted by the Parties and third parties in the Phase 1 Inquiry.
43. In Phase 1 and Phase 2 combined, we received responses from 40 customers, 15 competitors and five industry consultants.
44. We also had conference calls with some third parties in relation to the competition assessment of the Merger in addition to these third party responses to the questionnaires and with some third parties that did not respond to our questionnaires. In summary, we had conference calls with six customers (six of them also responded to our questionnaire), 13 competitors

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<sup>17</sup> See Merger Notice, Annexes 26.1 and 26.2 which provide the contact details of FNZ and GBST customers.

(seven of which also responded to our questionnaire) and four consultants (three of which also responded to our questionnaire).

45. From the 40 customers that responded to our questionnaire in the Phase 1 Inquiry, 26 had run procurement exercises or selected, following an informal negotiation process, a supplier of Retail Platform Solutions<sup>18</sup> in the period between 2010 – December 2019. For each Retail Platform Solution sourced in the UK during the last ten years, each customer was asked to state what services were sourced; identify the ‘longlist’ of bidders; the bidders in the final round and the winning bidder(s) and to rank the most important factors considered in the selection of a supplier of Retail Platform Solutions.
46. The responses to these questions show - in line with our more detailed analysis of the tenders that took place since January 2016 - that FNZ (or JHC) ([X] times), Bravura ([X] times) and GBST ([X] times) were the suppliers more often listed by these customers as reaching the final round of a procurement process, sometimes against each other in the same tender.
47. The majority of these customers scored reputation, experience / track record as equally important or more relevant than cost in their choice of a supplier. The vast majority of customers (25 customers) also considered the supplier’s ability to meet customer requirements as an important factor in their choice of supplier (score 4 or 5 out of 5).
48. From the 10 suppliers of Retail Platforms that had not run a procurement process in the last 10 years:
  - (a) five told the CMA they did not hold detailed, up-to date, knowledge about Platform Solution suppliers. We have accordingly placed limited weight on their responses (and did not consider it appropriate to take into account the responses of these customers in the assessment of the scores of each supplier as alternatives to the Parties in the phase 2 questionnaire).
  - (b) the other five suppliers of Retail Platforms showed in their responses reasonable familiarity with the different suppliers of Platform Solutions and their offerings, the different supply models and recent market developments. Some of these customers had considered other suppliers when considering a renegotiation of their existing contract; were planning to move away from their extant supplier; or had held recent discussions

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<sup>18</sup> In this phase 1 questionnaire ‘retail investment platforms’ was defined as ‘investment platforms (directly or indirectly) serving end-consumer individuals who hold personal financial investment assets in individually named investment accounts (Including investment platforms using all distribution channels (direct to consumer, advised and workplace)’. It excludes institutional investors where assets are typically held at a pooled level, with no requirement for individual-level monitoring of portfolio investment movements’.

with other alternative suppliers. One customer noted that it had not conducted a detailed review of other suppliers, but it was able to identify alternatives to its current suppliers and explain why their products were or were not an effective alternative. Given their familiarity with different suppliers, we considered it appropriate to place weight on their qualitative assessment of the different suppliers, but to place less weight than on the revealed preferences of those customers that had proceeded to run a procurement process in the last 10 years.

49. During the Remittal Inquiry, we used the notes of calls and the questionnaire responses received in phase 1 and phase 2 assessment as a starting point.<sup>19</sup> In addition, we contacted one competitor (previously contacted in the Phase 2 Inquiry) and 23 customers, 15 of which had been contacted during the Phase 2 Inquiry.
50. We identified 15 customers to whom we sent a further request for information, including:
  - (a) to revise and update our share of supply estimates (eg to understand the different platforms use by each customer, their AUA and current supplier);
  - (b) to revise and update our tender dataset based on information about new tenders, tenders that were ongoing at the time of the Phase 2 Report, tenders not previously identified by the Parties and tenders for which we had incomplete or contradictory information.
51. We organised calls with 11 customers ([REDACTED]); and received a written response to questionnaires from four other customers.
52. From the 15 customers:
  - (a) four customers provided an update on their last/current tender, which we used to update the tender dataset.
  - (b) six customers provided clarification in relation to the services they receive as well as the platforms and systems they use, which we used to reassess our share of supply calculations.
  - (c) four customers provided both an update on their tender process and a clarification in relation to the services they receive as well as the platforms and systems they use.

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<sup>19</sup> Phase 2 Report, Appendix B.

53. The Parties also identified nine other customers or potential customers which had issued new tenders and, therefore, were not present in the combined tender dataset of the Phase 2 Report. We sent questionnaires to all of them in relation to the services they receive and their recent tenders. We received a written response from seven of them. We organised calls with the two other customers or potential customers.
54. From these nine customers or potential customers:
- (a) six customers or potential customers provided information which we used in our share of supply calculations and tender dataset; and
  - (b) three customers or potential customers provided information about tenders that were not included in our dataset based on the services these tenders referred to (eg the tenders were for very specialised requirements).
55. Following submissions from FNZ, we also contacted a competitor. This competitor told us during the Phase 2 Inquiry that the solution it offers [X] and that [X]. We asked for clarification about the solution currently offered by this competitor and overall development of its services and recent participation in tenders.

#### *FNZ submissions*

56. During the Phase 2 Inquiry, FNZ submitted that references to 'Retail Platform Solutions' in questionnaires to third parties could result in us only 'collecting evidence within an artificially narrow frame of reference'. FNZ also noted that 'the wealth management industry is characterized by terminology that often lacks clear definition and/or is used loosely and/or inconsistently'. It notes that 'this could lead to confusion', in particular with respect to the product market definition and the distinction made by us between Retail Platforms and Non-Retail Platforms,<sup>20</sup> such that there was a 'risk that third parties would be responding to the same questions on different bases'. In FNZ's view, the steps we had taken to address these issues in phase 2 did not mitigate the risk of inconsistencies in respondents' answers materially affecting the reliability of the results.<sup>21</sup>
57. FNZ noted that 'third-party views represent subjective opinions, which in certain cases may be motivated by particular commercial interests, not particularly well-informed and/or include concerns that are not germane to the

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<sup>20</sup> FNZ Initial phase 2 Submission, paragraph 1.3.

<sup>21</sup> FNZ response to the phase 2 Provisional Findings, paragraph 3.21.

competition assessment'. In particular, FNZ further noted that third parties interested in acquiring (part or all of) GBST as part of a remedy [REDACTED].<sup>22</sup>

58. FNZ submitted that customers in this market are not best placed to assess the range of available Platform Solution suppliers as they are unlikely to have up-to-date information and that customers typically appoint specialist external advisers<sup>23</sup> to survey and choose between the wide range of available suppliers. FNZ noted that 'a significant proportion of [REDACTED] and admit to not having up-to-date knowledge of the market.'<sup>24</sup>
59. During the Remittal Inquiry, FNZ submitted that our definition of Retail Platforms changed over the course of the Phase 2 Inquiry and that the definition in the Phase 2 Report is different from that used in the questionnaires to third parties. FNZ considers that this could have led to customers classifying their platforms as Non-Retail Platforms when they should in fact be classified as Retail Platforms on the basis defined in the Phase 2 Report.<sup>25</sup>
60. FNZ also submitted that 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. FNZ noted this alleged flaw in the questionnaire led to platforms who view each other as direct competitors being inconsistently classified between Retail, Borderline and Non-Retail.<sup>26</sup>

### *Our assessment*

61. We assessed the evidence submitted by third parties and carefully evaluated the weight that it is appropriate to place on the different evidence we have received from all third parties.
62. We acknowledge that third parties in this industry use different terminology. When communicating with third parties and in the interpretation of their responses, we set out and defined any terms used in questions which might have had different meanings to different respondents. In particular, we recognised the possibility that all respondents may not consistently apply the distinction between Retail Platforms and Non-Retail Platforms in their answers. We mitigated these challenges by not placing any restrictions on

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<sup>22</sup> FNZ response to the phase 2 Provisional Findings, paragraph 2.1(iii).

<sup>23</sup> We have spoken to and received questionnaires responses from a number of the advisers involved in this work.

<sup>24</sup> FNZ response to the phase 2 Provisional Findings, paragraph 2.1(iii) (b).

<sup>25</sup> FNZ Remittal Submission, 9 March 2021, paragraphs 3.7 and 3.8.

<sup>26</sup> FNZ Remittal Submission, 9 March 2021, paragraphs 3.9 and 3.11.

what third parties could tell us when we asked about alternative suppliers<sup>27</sup>, so that we could take into account all constraints, including from Non-Retail Platforms and the in-house supply of software.

63. Having reviewed the different definitions used in the various questionnaires, in the Provisional Findings and the Phase 2 Report, our view is that:

- (a) there have not been any material changes in the definitions used and these were broadly consistent over the course of the Phase 2 Inquiry;
- (b) to the extent definitions have evolved in some minor respects - between the phase 2 Provisional Findings and Final Report and between the questionnaires sent at an early stage and more advanced stage in the Phase 2 Inquiry - this reflected the evolution of our understanding of the market and from the Parties and from third parties. Third parties have been given the opportunity to clarify and challenge the definitions we have used.<sup>28</sup> During the remittal, we have clarified any aspect of third party responses that was unclear;
- (c) we do not consider that the changes are sufficiently material to have impacted the probative value of third parties' submissions. For example, while the exact phrasing used during the Phase 2 Inquiry was refined, the key differences between Retail Platforms and Non-Retail Platforms (such as the importance of tax wrappers, large number of customers/transactions and related automation) have been consistently identified throughout the Phase 1 Inquiry and the Phase 2 Inquiry. Furthermore, the term 'Retail Platform' is widely understood and used by suppliers, customers and consultants, and some third parties unprompted<sup>29</sup> provided similar descriptions for each Investment Platform type;<sup>30</sup>

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<sup>27</sup> For example, consultants were asked: 'To what extent and giving your reasons, do you consider the Platform Solutions provided by (i) FNZ and (ii) GBST and any other providers to be close alternatives for Retail Platform operators' needs in the UK? Please indicate how strong of an alternative they would be [for FNZ and GBST] 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'.

<sup>28</sup> The responses to questionnaires were, in many cases, followed up by conference calls with third parties. If anything was unclear, these conference calls gave third parties the opportunity to clarify with the CMA the definitions used in the questionnaires and how their business fitted (or not) in these definitions. Third-parties have, for example, clarified where they consider their Investment Platform fitted more closely with one platform definition than another, or had some nuance within this (for example [REDACTED] and [REDACTED]), or in some cases stated this did not reflect how they considered their business worked, but were still able to provide informed answers to our questions (for example [REDACTED]).

<sup>29</sup> See, for example [REDACTED]

<sup>30</sup> [REDACTED]. We do not consider the way we asked these questions would have led to a significant degree of framing bias, as it was open to respondents (who are sophisticated third parties) to say there was no such differentiation or adaptation.



- (d) with respect to changes to the approach of the CMA regarding the definition of Retail and Non-Retail Platforms, [REDACTED] the specific reference to on-platform pension provision in the Phase 2 Report may have confused respondents. We note that our approach to market definition is not focused purely on the functionality (ie on the specific capabilities of each platform) but takes 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 Solution. As such, we do not consider that the exclusion of on-platform pensions in the Phase 2 Report was a material change to the definition of Retail Platforms<sup>31,32</sup> and that, for this reason, it has not made a material difference to the responses we received from third parties;
- (e) to the extent that there is uncertainty over exactly which platforms fall into the definition of Retail Platform, we are now including in our tender analysis and share of supply analysis not only the Retail Platforms within our market definition<sup>33</sup> but also the widest set of platforms which may fall into the Retail Platforms category as per FNZ's proposition<sup>34</sup>. The inclusion of this set of Investment Platforms allowed us to test whether our assessment, particularly with regard to shares of supply and tender analysis, would be affected by their inclusion; and
- (f) by way of response to FNZ's submission that 'the questionnaires contained leading questions, liable to distort answers in favour of finding differentiation between platform types'<sup>35</sup>, we note that the initial distinction between Retail Platforms and Non-Retail Platforms was based on initial views from third parties (including in the views expressed in pre-notification conference calls before the CMA prepared the third party questionnaires) and wider evidence from internal documents. We then used each customer's response to the questionnaires, including their qualitative descriptions of their platforms, their requirements and nature of services provided to their underlying client base to determine which customers' platforms fell within the retail and non-retail definitions for use in our analysis. Some questions referred to definition of Retail Platform to allow us to understand customers' products and requirements and inform our allocation exercise. In the Phase 2 Inquiry and in the Remittal Inquiry,

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<sup>31</sup> We also note that the reference to on-platform pensions provision is consistent with the description of Retail we use in the Phase 2 Report, which noted that they 'tend to be focused on providing tax wrapper products such as ISAs and SIPPs'.

<sup>32</sup> [REDACTED]. We note that: (ii) our change in classifying [REDACTED] and [REDACTED] platforms was the result of their responses to our questionnaires and the clarifications they provided, demonstrating customers' ability to provide informed responses.

<sup>33</sup> See Table H.1 of Appendix H.

<sup>34</sup> See Table H.2 of Appendix H.

<sup>35</sup> FNZ Remittal Submission, 9 March 2021, paragraph 3.9 -3.11.

we asked customers to confirm the accuracy of the classification of their platforms as part of the put-back process.

64. In assessing third party evidence, we have had due regard to a range of factors including: the incentives of the party giving that evidence;<sup>36</sup> the extent to which the party had knowledge that was relevant to the questions we are required to answer<sup>37</sup>; and the extent to which the evidence was consistent with other evidence available to us<sup>38</sup>.
65. By carefully considering those factors when assessing each of the Parties' and third parties' submissions, we believe our findings are not biased towards the commercial interests of any Party or third parties.

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<sup>36</sup> For example, we took into account whether a consultant had a previous relationship with any of the Parties (eg relationship of [REDACTED] with GBST) and interpreted the evidence accordingly but less weight on the submissions made by this third-party, unless supported by objective evidence.

<sup>37</sup> For example, we placed more weight on the evidence provided by customers that had run procurement processes in recent years.

<sup>38</sup> For example, we considered whether the evidence submitted by [REDACTED] about their offer and the extent to which it competed with the Parties was consistent with evidence provided by customers ([REDACTED]) and other third parties ([REDACTED]).

## **Appendix C: Examples from Internal Documents related to market definition**

### ***Differentiation of Suppliers of Platform Solutions***

1. The CMA has not received further evidence in relation to the matters covered in this Appendix during the remittal and no material changes have been made to the equivalent Appendix in the Phase 2 Report.
2. A 2019 FNZ document, [REDACTED],<sup>39</sup> [REDACTED].<sup>40</sup> In this document, [REDACTED].
3. A 2019 FNZ document, [REDACTED]. The inclusion of [REDACTED] is consistent with a Retail market focus given that [REDACTED] focus on Retail customers.
4. An April 2019 GBST document, [REDACTED], was prepared by [REDACTED].<sup>41</sup> [REDACTED].

### ***Geographic market***

5. A 2018 FNZ presentation concerning the [REDACTED].
6. A FNZ document, [REDACTED].<sup>42</sup>
7. A GBST document dated October 2017 and [REDACTED].

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<sup>39</sup> See Appendix D, paragraph 1 for screenshot.

<sup>40</sup> We consider financial advisers, Retail Banks and Execution Only (D2C) to relate to Retail Platforms.

<sup>41</sup> See Appendix D, paragraph 3 for screenshots.

<sup>42</sup> We note that this document refers to JHC.

## Appendix D: Market Definition – Internal document screenshots

1. The CMA has not received further evidence in relation to the matters covered in this Appendix during the remittal and no material changes have been made to the equivalent Appendix in the Phase 2 Report.
2. FNZ document: [✂]
3. GBST document: [✂]
4. GBST document: [✂]
5. FNZ document: [✂]
6. FNZ document: [✂]
7. FNZ document: [✂]
8. GBST document: [✂]
9. FNZ document: [✂]

## Appendix E: How does a tender process work?

1. In this appendix, we provide an overview of tender processes through which customers select suppliers of Retail Platform Solutions. The below is based on evidence submitted by the Parties, third parties and internal documents from the Parties, such as requests for information (RFIs) and requests for proposals (RFPs).
2. This appendix is structured as follows:
  - (a) first, we explain how customers choose suppliers;
  - (b) second, we show the role of consultants in the tender process;
  - (c) third, we set out how suppliers decide to participate in a tender process;
  - (d) fourth, we set out the typical stages tender processes entail;
  - (e) fifth, we set out the typical structures of the RFI and RFP stages on a typical tender; and
  - (f) finally, we show the criteria against which suppliers tend to be assessed.
3. The CMA has not received further evidence in relation to the matters covered in this Appendix during the remittal and no material changes have been made to the equivalent Appendix in the Phase 2 Report.

### How customers choose suppliers: new customers vs. renewals

4. From the customer's point of view, implementing a new Retail Platform Solution is a major undertaking: it is risky, lengthy, and expensive.<sup>43</sup> The complexity and the low appetite for switching to a new supplier ('re-platforming') are reflected in the duration of the contracts with initial terms typically of between five and ten years.<sup>44</sup>
5. Customers typically use sophisticated procurement processes to select suppliers.<sup>45</sup> Evidence from tenders indicate that this is generally the case for:

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<sup>43</sup> See chapter 7, Switching Costs section for details.

<sup>44</sup> According to [redacted], some contracts may have an initial term of 3 years, however this rarely has any practical effect in terms of switching as there is very little / no switching after 3 years.

<sup>45</sup> The tender process is usually confidential. Several RFIs and RFPs sent to the Parties by potential customers state that bidders cannot disclose their participation in the procurement process.

- (a) new Retail Investment Platforms entering the market that are seeking to (partially or fully) outsource solutions;
  - (b) existing Retail Investment Platforms using in-house solutions that are considering moving to an outsourced solution; and
  - (c) existing Retail Investment Platforms considering switching to a different outsourced supplier.
6. FNZ submitted that most FNZ customer contracts [REDACTED]. We found one contract provided by FNZ which specifies that the contract [REDACTED].<sup>46</sup> In case a customer decides to carry out a new procurement process (for an existing contract or for a new one), the incumbent may be invited [REDACTED] to bid [REDACTED].<sup>47</sup>
  7. GBST told us that [REDACTED].
  8. GBST told us that customers that [REDACTED]. GBST said it [REDACTED]. However, GBST said that it [REDACTED].
  9. One consultant told us that customers rarely switch as customers are wary of changing providers due to costs and risks. Two consultants told us that most renewals are an opportunity to renegotiate on aspects of the service that either party is concerned about such as pricing, service-levels agreement, and key performance indicators.
  10. A consultant told us that the renewal process thereafter will be unique for each customer relationship based on their own individual circumstances. As there are significant risks and costs associated with re-platforming, there have been a limited number of migrations from one external supplier to another.

## The role of consultants

11. Two consultants told us that, given the length and complexity of the process, many Retail Investment Platforms will engage consultants to assist them by:
  - (a) providing a view of the market and an initial list of potential suppliers who could meet their requirements;
  - (b) preparing and issuing a formal RFI and/or a formal RFP to the potential suppliers;

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<sup>46</sup> [REDACTED].

<sup>47</sup> [REDACTED].

- (c) defining the selection criteria and assessing the best supplier to fulfil the strategic objectives and operational requirements of customers; and
  - (d) reviewing existing arrangements to identify gaps and opportunities for improvement either through engagement with the current supplier, in case the current solution is outsourced, or using a competitor supplier.
12. One consultant told us that, while consultants make recommendations on the list of potential suppliers and on the supplier that best meets the customers' needs at the end of the tender process, customers make the final decisions.

### **How suppliers decide to participate in a tender process**

13. Participating in a tender process typically involves some cost to the supplier, which must be considered alongside the rewards from winning the tender and the probability of success. The key criteria that the Parties consider when deciding whether to participate in a tender process are set out below:
- (a) FNZ submitted that it considers the customer's target market, any legal, regulatory or reputational risks of a commercial relationship with the prospective client, whether its offering fits with the prospective customer's preferences (eg whether the customer is amenable to a Combined Platform Solution or prefers Software-only);<sup>48</sup> and the anticipated profitability of the prospective commercial relationship.<sup>49</sup>
  - (b) GBST submitted that it considers the content of the [REDACTED], the client's [REDACTED] and the overall [REDACTED] of the client.
14. GBST submitted that it can also bid for opportunities in different segments or geographic locations from its target market to learn about client requirements in new segments or locations. For example, GBST participated in three tenders for [REDACTED] to learn about which capabilities it would need to develop to serve [REDACTED].

### **The stages of a typical tender process**

15. Our review of individual tenders shows that there is a consistent process across tenders. FNZ and some third parties told us that a tender process normally proceeds through the following stages: identification of a shortlist of

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<sup>48</sup> FNZ further stated that it would [REDACTED]. See FNZ response to the phase 2 Issues Statement, 7 May 2020.

<sup>49</sup> See FNZ response to the phase 2 Issues Statement, paragraph 2.14.

suitable suppliers; RFP; workshops or 'discovery' process; a final commercial negotiation and agreement of heads-of-terms; selection and contracting.

16. We discuss each of these stages in turn below.
17. In our competitive assessment, Chapter 8, we consider as 'early stage' the first stage of the tender process, such as responding to an RFI or a feasibility study. The 'final stage' in our analysis usually corresponds to the commercial negotiations stage, although some customers do not formally define the final stage as such.

### ***Requirements definition and the identification of a short-list of suitable suppliers.***

18. The identification of a shortlist of suitable suppliers is usually done via a formal RFI process in which the customer asks for high-level information on the company, products, technology and implementation approach, and references. There is a great variation in the number of questions in an RFI, some have around 30 questions while others may exceed 200 questions.
19. The identification of a short-list of suitable suppliers may also be done through a feasibility study in which the customer asks suppliers to demonstrate whether their Retail Platform Solution has the requirements needed through an in-person presentation.<sup>50</sup>

### ***Request for proposal***

20. A RFP will specify the customer's proposition(s) and products, its distribution channels, and the capabilities that they are seeking the supplier to support. It will explain their existing book of business and thoughts on migration.
21. Potential suppliers will be asked to submit responses explaining how their system can meet the requirements, and providing initial thoughts on how it could be configured or adapted to support any unique aspects offered by the platform (eg particular investment solutions, or integration with key software used by their distribution partners).
22. RFPs can have between 200 and 400 questions and are normally issued to three to five potential suppliers, which normally do not know each other's

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<sup>50</sup> According to [30], some Investment Platforms, especially larger ones who have made a firm decision on whether and what to outsource, may find that only a small number of suppliers would be deemed suitable. These platforms may perform this stage informally and proceed directly to RFP.



identities. Suppliers' proposals are usually scored and ranked against criteria that are defined at the beginning of the process.

### ***Workshops or 'discovery' process***

23. Workshops or discovery processes allow the selected supplier(s) to sit with the customer to go through the technical details of the supplier's proposed Retail Platform Solution.
24. The supplier will demonstrate software functionality, which is prioritised by the customer and tailored to their needs.
25. At this stage, depending on the platform business case, the supplier might also present the proposed servicing model and provide an indicative implementation timeline and approach.
26. This stage includes interviews with the suppliers' existing customers, review of their financial information, any required technology due diligence and allows the customer to get a feel for how the supplier works and whether they understand their industry.
27. Discovery phases are rarely conducted with more than two suppliers which sometimes know each other's identity and are usually carried out in a specified time period.

### ***Commercial negotiation and agreement of heads-of-terms***

28. At this final stage, the customer would typically engage in a few rounds of commercial negotiation with each supplier to agree financial terms.
29. Both sides will normally require at least heads-of-terms to be agreed before proceeding into more detailed discovery/design work, often supported by an interim professional services contract for the work involved.
30. If a customer has proceeded to early discovery with two suppliers, they will normally run contract negotiation in parallel or shortly afterwards, so that competition maximises pressure on the suppliers. This is difficult where only one supplier has qualified for discovery, which is not uncommon.

### ***Selection and contracting phase***

31. At this stage a preferred supplier is appointed, and the final due diligence is carried out.

32. During this period if more than one potential supplier has been identified, those not selected as the preferred supplier will not know that a preferred supplier has been selected. This allows the customer to revert to another selected supplier should the negotiations with the preferred supplier not be successful.

## **RFIs and RFPs typical structure**

33. In this section we set out more details on the typical structure of RFIs and RFPs.

### ***RFIs***

34. RFIs may vary in the number of questions and the level of detail, but they will typically ask:
- (a) Basic information questions about the supplier, such as years of experience, financial situation, values and objectives, current and future market vision and focus, products and services and how they are differentiated compared to competitors' offerings, business partnerships, current clients.
  - (b) Technical questions about functional capabilities, such as product roadmap, ability to process orders, manage the trading, execution and settlement process, calculate and process charges applied to the investor's account (eg adviser fees and taxes), produce reports on business performance (eg balance sheets, budget development), monitor and manage cash balances, develop and execute policies and procedures, monitor, report and keep the solution up to date with regulatory standards, identify and manage non-operational risks (eg credit, liquidity), provide custodian and accounting service and the level of automation of these services.
  - (c) IT capabilities, such as operation controls and levels of automation, scalability capacity, KPIs, SLAs, security (eg authentication and encryption mechanisms), contingency plans (eg disaster arrangements).
  - (d) Implementation process for the transition and timescales, including testing strategy, project plan, data migration approach, examples of previous successful experiences of platforms of similar size and complexity, examples of key challenges and risks during recent transitions and the mitigating actions taken.
  - (e) Supplier's indicative commercial terms and pricing structure.

## **RFPs**

35. RFPs cover the same themes as RFIs, but in a much greater level of detail. Substantial attention is given to the functional capabilities and the technical architecture of the solution.
36. A significant part of RFPs is devoted to give suppliers enough background about the Investment Platform. The Investment Platform will give a detailed overview of:
  - (a) the propositions served, such as direct to customers (D2C), advised, stockbroking, workplace;
  - (b) the products available for each proposition, such as pensions, ISAs, bonds, equities, stocks, shares, structured products; and
  - (c) the distribution channels of each proposition, such as D2C digital, D2C telephony, Independent Financial Advisers (IFAs), advised digital, advised telephony, employee benefits consultants.
37. The Investment Platform will specify some of the details about the desired infrastructure of the technology, such as:
  - (a) ability for end-investors to seamlessly migrate between products and distribution channels;
  - (b) ability for customers (D2C) and advisers to access all customer records in a single view;
  - (c) ability to serve a multi-device proposition (eg mobile, tablet, desktop); and
  - (d) ability to integrate with existing off platform policies and capabilities via APIs (open architecture).
38. If the solution required is for an existing Investment Platform, which requires migration, details about the current technology architecture and volumes to be transferred are given to enable the supplier to set up a transition plan.
39. At the RFP stage, some Investment Platforms may not have decided all the details about the future operating model, including which elements will be outsourced and which will be kept in-house. In this case, the Investment Platform will make it clear which elements are open to a proposal.
40. After explaining the current platform's state and the minimum requirements for the solution, RFPs will ask suppliers detailed questions. Substantial parts of the questions are related to how the supplier's solution can meet the

proposition requirements, including which requirements ‘come out of the box’ and which will require customisation, and what is the supplier’s migration plan, including history of migrations and detailed case studies.

## **Selection criteria**

41. When issuing an RFI or RFP, Investment Platforms define and share with suppliers the criteria against which they will be assessed and compared. The criteria Investment Platforms typically use are:<sup>51</sup>
- (a) Technology, infrastructure and broader resources, including level of automation, technology development roadmap, flexibility to product development, scalability to operate at high future volumes, maturity of the operating model.
  - (b) 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.
  - (c) Regulatory, risk and compliance, such as security protocols, keeping pace with legal, regulatory and mandatory changes.
  - (d) Migration capability, including a solid migration plan and a track record of successful implementation.
  - (e) Commercial and contractual terms, such as ongoing operational costs, pricing model and contractual terms.

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<sup>51</sup> See, for example, [REDACTED], [REDACTED], [REDACTED] and [REDACTED] tender evaluations, and [REDACTED].

## Appendix F: Benchmarking and other contractual mechanisms

1. The CMA has not received further evidence in relation to the matters covered in this Appendix during the remittal and no material changes have been made to the equivalent Appendix in the Phase 2 Report.
2. FNZ's contractual arrangements with its customers include [REDACTED]. FNZ submitted that these contractual arrangements often protect customers to ensure they are always on the most advantageous pricing available.<sup>52</sup>
3. As explained in Chapter 7, we consider that, both in principle and in practice, such contractual arrangements would not serve to protect customers following a reduction in rivalry caused by a merger. However, we consider in this Appendix the potential impact of the specific benchmarking provisions and asset-based pricing model cited by FNZ in its submissions.
4. Benchmarking provisions seek to maintain the long-term competitiveness of Platform Solutions compared to others in the market and may arise in two different ways:
  - (a) Clauses that compare the terms that a customer receives from its supplier with the terms offered by similar suppliers; and
  - (b) clauses that compare the contractual terms of a customer with the contractual terms of other customers of the customer's supplier (Most Favoured Customer Clauses).
5. FNZ's asset-based pricing model involves [REDACTED]. Should FNZ deteriorate its offering as a result of the Merger, this could reduce the competitiveness of the Investment Platforms that it serves, the assets they administer and consequently the overall fees that FNZ earns. If significant, such a mechanism could weaken any incentives of FNZ to deteriorate its offering.
6. GBST's [REDACTED].

### ***FNZ and GBST submissions***

7. Notwithstanding FNZ's view that benchmarking arrangements could protect customers, information provided by FNZ indicates that benchmarking is used infrequently by its customers:

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<sup>52</sup> See also FNZ response to the phase 2 Issues Statement, paragraphs 3.5-3.7.

(a) Although [redacted] of its [redacted] UK customer contracts included benchmarking provisions, [redacted] list specific comparators, and [redacted] for inclusion in the benchmarking exercise. It noted [redacted].

(b) It was not aware of [redacted].<sup>53</sup>

8. As an alternative to benchmarking, FNZ submitted an example of [redacted],<sup>54</sup> [redacted].

9. FNZ submitted that, since both FNZ and its customers [redacted], irrespective of any contract benchmarking provisions, it would still be in FNZ's interests to remain competitive so that its customers remain competitive and [redacted].<sup>55</sup> To support this position, FNZ provided [redacted] for Combined Platform Solutions, which show they are a significant portion of a Retail Platform's costs, with software costing around [redacted]% of the platform's total revenue and servicing costing around [redacted]%.

10. GBST submitted that benchmarking is infrequent, stating that [redacted].

### **Third party evidence**

11. A minority of customers (seven out of 34) told us that they use benchmarking in their Platform Solution contracts. They consider it to be an important mechanism by which they can ensure that the services they receive remains competitive relative to what is available elsewhere in the market. Several customers specified that their benchmarking provisions cover both pricing and quality of service.

12. However, more customers (14) stated that they do not use benchmarking at all and that even where it is used it may be relatively ineffective because:

(a) It may be difficult to make direct comparisons with services provided to other Retail Platforms, especially where a Platform Solution includes bespoke or tailored elements specific to the customer; and

(b) it may be difficult to enforce these provisions.

13. While third parties recognised that there is some alignment of incentives when using an asset-based pricing model, they had mixed views regarding whether it provided a strong incentive for suppliers to maintain their offering:

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<sup>53</sup> FNZ response to the phase 2 Issues Statement, paragraphs 1.8, 3.3 and 3.5-3.7. The two are [redacted].

<sup>54</sup> [redacted].

<sup>55</sup> FNZ response to the phase 2 Issues Statement, paragraphs 3.11-3.13.

- (a) Five customers told us that it can help to encourage the Platform Solution supplier to maintain high levels of service and invest in the development of new capabilities for the platform customer.
- (b) However, the majority of third parties did not consider it to be of primary importance.<sup>56</sup> Eight considered competition between Platform Solution suppliers to win or keep customers as the key driver of price and quality.

### ***Scope of benchmarking and other provisions***

- 14. We have seen some contracts for the supply of Platform Solutions that include benchmarking provisions to ensure that the Solution remains in line with those supplied to other Investment Platforms.<sup>57</sup>
- 15. Benchmarking provisions may cover all aspects of the contract (that is, charges, services, other commercial components of the relationship), or they may only cover improvements in terms for the customer (meaning lower charges and/or improvements in service levels).
- 16. The costs of benchmarking are usually shared equally between the customer and supplier.
- 17. There are often restrictions on benchmarking including:
  - (a) Its timing (not within the first year of the contract for example) or more frequently than every year, or every five years;
  - (b) a mutual agreement on the choice of independent party to undertake the exercise;
  - (c) the choice of comparison group being the responsibility of the party undertaking the exercise; and
  - (d) that its outcome must be binding on the supplier and implemented within a set period of time.
- 18. As noted above, the majority of third parties did not consider asset-based pricing to be of primary importance.

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<sup>56</sup> Only four out of 19 third parties who expressed a view considered aligned incentives to be a primary driver of price and quality of Platform Solutions.

<sup>57</sup> [redacted]. See FNZ response to the phase 2 Issues Statement, paragraph 3.3.

### ***Assessment of benchmarking and other contractual arrangements***

19. As noted in Chapter 7, our view is that, in principle and practice, contractual arrangements would not serve to protect customers following a reduction in rivalry caused by a merger.
20. In this market benchmarking arrangements are not used widely and there are limitations in their effectiveness including difficulties making comparisons in a benchmarking exercise and difficulties enforcing these provisions. [✂].
21. Third party evidence indicates that FNZ's asset-based pricing model is not a key driver of price and quality. We consider it unlikely that it would prevent the Merged Entity from deteriorating its offering.



## Appendix G: Assessment of whether the conditions of competition would have been materially different in a counterfactual in which SS&C and GBST had merged

1. FNZ submitted that FNZ/GBST transaction should be assessed by reference to its 'incremental competitive impact' relative to an SS&C/GBST merger:
  - (a) '[A]n SS&C/GBST merger would produce a materially different market structure to the pre-merger conditions of competition. This is evident from the fact that there would be one fewer competitor bidding for tenders. One consequence is that, measured against the correct counterfactual, the Transaction would not reduce the number of competitors.'<sup>58</sup>
  - (b) Based on FNZ's share of supply estimates, it submitted that [REDACTED].<sup>59</sup>
2. For the reasons set out in Chapter 5, we consider that the evidence indicates that, if SS&C had acquired GBST, the conditions of competition would not have been materially different, and in particular no less competitive, from the pre-Merger conditions of competition.
  - (a) The evidence set out above suggests that SS&C exerts a limited constraint on the market. It has only one main customer (St James's Place),<sup>60</sup> and uses a closed architecture, which currently limits its ability to service other Retail Platforms.<sup>61</sup> It has [REDACTED] recently, but 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].<sup>62</sup> Moreover, qualitative evidence from customers' tender evaluations indicates that SS&C does not have a good reputation in the market and that its Platform Solution is not suitable for most Retail Platforms.<sup>63</sup>
  - (b) The evidence also shows that GBST and SS&C are not close competitors. As set out in Chapter 8:
    - (i) tender data indicates SS&C overlapped with GBST [REDACTED] at the early or late stage of tenders for Retail Platform Solutions. By comparison

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<sup>58</sup> FNZ Remittal Submission, 9 March 2021, paragraph 2.14.

<sup>59</sup> FNZ Initial Remittal Submission, 12 February 2021, paragraph 5.14 (ii).

<sup>60</sup> See Chapter 8.

<sup>61</sup> See Chapter 8.

<sup>62</sup> See Chapter 8.

<sup>63</sup> See Appendix K, paragraph 14.

FNZ and GBST overlapped more at both early and late stage, and GBST lost more tenders to FNZ than SS&C;

(ii) third party evidence indicates SS&C is a less close competitor to GBST than FNZ, and is a weaker competitor than FNZ, GBST and Bravura; and

(iii) GBST internal documents [X].

(c) The evidence that we have 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.

3. We currently do not consider that assessing the merger against an alternative GBST/SS&C counterfactual would lead us to be less likely to find an SLC.
4. The mere fact that there would be no reduction in the number of independent competitors as a result of the merger when assessed against the GBST/SS&C counterfactual does not in itself reduce the likelihood of an SLC. The competitive impact depends not on the number of competitors, but on how closely the merging parties compete and what the remaining constraints on them would be post-merger.
5. For similar reasons, we do not consider that it is appropriate to assess the incremental change in share of supply between the GBST/SS&C counterfactual and the merged firm. While a GBST/SS&C entity would have a share of supply around [20-30]%,<sup>64</sup> and would thus be one of the suppliers with the highest share of supply, we note that, in differentiated bidding markets, 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 in our competitive effects assessment. Instead, the relevant question is whether GBST would have been a stronger or weaker competitor to FNZ in the alternative counterfactual where it had been acquired by SS&C.
6. The evidence set out in Chapter 8 suggests that SS&C and GBST have overlapped very rarely in tenders and have generally competed against FNZ in different tenders. This means that, in an alternative counterfactual where SS&C acquired GBST, there would not be a material loss of choice or competition for customers who were previously choosing between FNZ and either GBST or SS&C (along with other potential competitors). Taken alongside the evidence from third parties and internal documents suggesting

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<sup>64</sup> See Chapter 8.

limited competition between SS&C and GBST, we would not expect GBST to impose a weaker competitive constraint on FNZ in the alternative counterfactual.

7. We also note that it is possible that a merger of GBST and SS&C might strengthen the competitive constraint that GBST places on FNZ. This could be the case if the complementary offerings of GBST and SS&C made GBST a more attractive bidder in tenders where it was competing against FNZ.
8. For these reasons, we do not consider, at this stage, that an assessment of the Merger against a counterfactual where SS&C and GBST had merged would result in materially different findings on the effect of the Merger on competition. In particular, the Merger brings together two closer, stronger competitors than a merger between SS&C and GBST.

## Appendix H: Platform classifications

1. In this appendix we set out:
  - (a) Our methodology for classifying Investment Platforms
  - (b) FNZ's submission on our approach to platform classifications; and
  - (c) The classifications used for Investment Platforms in our tender analysis and shares of supply estimates.

### ***Platform classification methodology***

2. In order to inform our views on how to classify Investment Platforms, we asked customers to identify their type(s) of Investment Platform and their suppliers of Investment Platform Solutions.<sup>65</sup> The type of Investment Platform could be retail, Private Client Investment Manager (PCIM), private bank, retail stockbroker, or any combination of these. We provided customers with descriptions for each Investment Platform type.<sup>66</sup>
3. In the Phase 2 Report, we distinguished between Retail Platforms and Non-Retail Platforms. For the purpose of testing the sensitivity of our share of supply and tender analysis, we classified certain platforms as 'borderline', if these platforms met the conditions set out below in paragraph 15 below.
4. We set out below our approach to classifying Investment Platforms, which remains the same as in Phase 2.<sup>67</sup>
5. An Investment Platform was classified as 'Retail Platform' if it met at least one of the following conditions:
  - (a) a customer had identified that its Investment Platform was a retail platform and no other type;
  - (b) it was an Investment Platform where (self-identified) retail-focussed suppliers<sup>68</sup> reached the final stage of a tender.<sup>69</sup> This condition was used where the customer had not indicated that its Investment Platform was

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<sup>65</sup> in a questionnaire after the publication of the Phase 2 Report.

<sup>66</sup> These are set out in Chapter 6.

<sup>67</sup> Aside from now referring to borderline platforms as 'Sensitivity only' platforms.

<sup>68</sup> These suppliers were [REDACTED], [REDACTED], [REDACTED] or [REDACTED], who had clearly told us that they were Retail-focussed. [REDACTED] As such, for platforms and tenders added to our dataset during the Remittal Inquiry, we have not treated [REDACTED], as a Retail-focussed supplier.

<sup>69</sup> We also considered using classifications from [REDACTED] to assist in our Investment Platform classification exercise. Ultimately, we did not use [REDACTED] classifications to inform our classifications as it was redundant with the information we obtained from customers. We note that our resulting classifications are nonetheless consistent with what [REDACTED] has submitted.

solely 'retail' (for example, where it had indicated that its Investment Platform included 'retail' in combination with another type of Investment Platform)<sup>70</sup>; or

- (c) where we did not have the evidence to apply the above conditions but both FNZ and GBST agreed the Investment Platforms should be classified as a Retail Platform.
6. In the Remittal Inquiry, we distinguished between Retail Platforms (within the market) and Non-Retail Platforms. FNZ has suggested that our approach results in the exclusion 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 as a sensitivity 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. As explained below, we identified this wider set using third party information and the views of the Parties. We refer to the additional Investment Platforms (other than the Retail Platforms) included in this wider set as 'Sensitivity-Only' Platforms.
7. The 'Sensitivity-Only' Platforms included in this wider set of platforms met the following conditions<sup>71</sup>:
- (a) the customer identified that its Investment Platform involved both 'Retail' and 'Non-Retail' components (such as PCIM); or
- (b) FNZ and GBST expressed different views on whether the Investment Platform should be classified as 'Retail' or 'Non-Retail', and we did not have other evidence on the Investment Platform's type.<sup>72</sup>
8. We classified an Investment Platform as 'Non-Retail' if the above conditions for the classification as Retail and Sensitivity-Only did not apply.
9. We note that where there was no evidence from third parties and where there were no submissions from the Parties in response to our phase 2 Provisional Findings that our 'Retail' and 'Non-Retail' classifications were incorrect; we

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<sup>70</sup> During the Remittal Inquiry, SS&C told us that [§]. As such, SS&C is not considered as a retail focussed supplier for any tenders which commenced after the start of the Phase 2 Inquiry.

<sup>71</sup> These are the conditions that were used to classify certain Investment Platforms as 'borderline' for the purposes of our share of supply and tender analysis in the Phase 2 Report.

<sup>72</sup> For instance, a customer clearly indicating that the tender had only 'Retail' components in our questionnaire or elsewhere, such as in a call.

continued to use the same classifications as in our phase 2 Provisional Findings and Phase 2 Report.

10. We have estimated shares of supply and conducted our tender analysis by reference to the supply of Retail Platform Solutions (ie including the Retail Platforms within our market definition).<sup>73</sup> In addition, as a sensitivity to test to what extent our results change if we include a wider set of platforms, we also estimated the shares of supply and assessed the tender results by reference to a wider set of platforms, ie including the Retail Platforms and those which were classified as Sensitivity-Only.
11. Of the [REDACTED] tenders, [REDACTED] were tenders for Retail Platforms, [REDACTED] were tenders for Non-Retail Platforms, and [REDACTED] were tenders for Sensitivity-Only Platforms.<sup>74</sup>

### ***FNZ submissions on platform classification methodology***

12. FNZ submitted that our approach to platform classifications was flawed because:
  - (a) [REDACTED]; and
  - (b) the customer input on which the platform classifications are based are subject to [REDACTED] because the term 'Retail' is not used consistently across the industry.
13. FNZ reiterated these submissions during the remittal process, submitting that the differentiation between Retail Platforms and Non-Retail Platforms was unfounded. FNZ also submitted in the Phase 2 Inquiry and during its appeal<sup>75</sup> that it was 'problematic' that we classified Investment Platforms as Sensitivity-Only cases where GBST provided a conflicting view to FNZ and we had no other evidence on the Investment Platform's type. We describe in more detail in Appendix B FNZ's submissions about the alleged flaws in the use of the Retail Platforms and Non-Retail Platforms in the third-party questionnaires and allegedly leading questions.
14. We consider that our platform classifications do not rely on customers having a consistent interpretation of the term 'Retail', as we provided descriptions of

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<sup>73</sup> The results of which are set out in Chapters 6 to 8 where we refer to retail tenders in our tender analysis and Retail Platforms in our share of supply estimates.

<sup>74</sup> The retail classification is largely consistent [REDACTED] the FNZ phase 1 Submission, 20 March 2020, Annex A. Appendix G provides the classifications for the tenders each Party participated in as well as the classifications for the platforms used in our shares of supply.

<sup>75</sup> NoA, paragraph 60b(ii).

the different types of Investment Platform<sup>76</sup> when asking them about how their services fitted with these descriptions.<sup>77</sup> We are therefore satisfied that our platform classifications are a reliable reflection of which Investment Platforms are Retail, Non-Retail or have elements of both.

15. The descriptions we provided to customers are closely related to Investment Platform requirements. We described the type of products that Retail Platforms tend to focus on and found that Retail Platforms are built to be highly automated in order to efficiently manage a very large number of accounts. We did not limit our descriptions of the Investment Platform type to specifying their requirements. We also described the overall proposition of the different types of Investment Platform to allow for other differences in customer preferences such as brand, reputation, user experience and track record when selecting a Platform Solution supplier.
16. FNZ and GBST's classifications of Investment Platforms as either retail, stockbroking, PCIM or private banks were broadly the same. FNZ and GBST did not agree on the classification of [redacted] tenders.
17. When the classification of the Parties diverged, we generally avoided relying on one of the Parties to classify a platform by using evidence from third parties. Where there were conflicting views from each Party and there was no available evidence from third parties, we found it appropriate to classify the Investment Platform as a 'Sensitivity-Only' platform to reflect that the Investment Platform may have both Retail and Non-Retail elements. We took account of both Retail Platforms and Sensitivity-Only Platforms as part of our sensitivity analysis.

### ***Platform classifications used in analysis***

**Table H.1: Platform classifications in tender analysis**

[redacted]

Source: CMA information based on the Parties' submissions and third party data.

**Table H.2: Platform classifications in shares of supply.**

[redacted]

Source: CMA information based on the Parties' data. The shares of supply in the Table present third-party software combined with third-party or in-house servicing.

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<sup>76</sup> Set out in Chapter 6.

<sup>77</sup> For more information with regard to FNZ's submissions on our evidence gathering from third parties, see Appendix B.

## Appendix I: Share of supply estimates

1. This Appendix sets out the basis for our share of supply estimates and summarises the results of our calculations for the sensitivity case. (The central share of supply estimates are outlined in Chapter 8.) It sets out:
  - (a) FNZ's submissions on our share of supply estimates and how we have taken them into account in our analysis;
  - (b) the methodology we have used for estimating shares of supply;
  - (c) the evidence used to determine the allocation of specific Investment Platforms in cases where these differ to the allocations set out in the data provided by FNZ;
  - (d) share of supply estimates based on a wider set of Investment Platforms as a sensitivity analysis; and
  - (e) share of supply estimates applying FNZ's assumptions regarding the allocation of Investment Platforms to the respective supplier of Platform Solutions.<sup>78</sup>

### FNZ and GBST's submissions on our share of supply estimates

#### *FNZ submissions*

2. 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.<sup>79</sup>

#### *Phase 2 Inquiry*

3. During the Phase 2 Inquiry, FNZ submitted that the shares of supply data reveal that numerous significant competitors will remain post-Merger.<sup>80</sup> It said that shares of supply are not reliable due to customers' requirements for a bespoke Platform Solution, the long tender processes and the use of long-term contracts.

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<sup>78</sup> We note there are some differences between figures quoted in FNZ's submission and those in the underlying data provided to support its submission. These are due to FNZ's submission taking a 'conservative' approach eg in including some new platforms not previously included in its data. We have used the data underlying its submission rather than its submission in preparing this analysis.

<sup>79</sup> FNZ response to the phase 2 Provisional Findings, paragraph 5.1(ii).

<sup>80</sup> FNZ Initial phase 2 Submission, paragraph 1.2.



4. FNZ also addressed our use of 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.<sup>81</sup>
5. 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).<sup>82</sup> Its calculation included all Investment Platforms apart from private banks and in-house software provision.
6. On this basis, FNZ submitted that:
  - (a) the Parties have a combined share of less than [30-40]%;
  - (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 [0-5]%;<sup>83</sup> and
  - (c) the Parties also face strong competition from global players such as TCS BaNCS and Pershing.<sup>84</sup>
7. FNZ further submitted that the Merger should therefore not be characterised as a '4 to 3' reduction in suppliers, as Bravura, SS&C and SEI are all major competitors.
8. FNZ also 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).<sup>85</sup>

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<sup>81</sup> 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 [REDACTED] – despite the absence of a new contract or increase in scope of the contract.'

<sup>82</sup> FNZ share of supply estimates are provided in paragraphs 28-33.

<sup>83</sup> [REDACTED]

<sup>84</sup> FNZ Initial phase 2 Submission, paragraph 1.2.

<sup>85</sup> FNZ response to the phase 2 Provisional Findings, Annex 3, page 1.

## *Remittal inquiry*

9. In its Initial Remittal Submission, FNZ submitted that it had identified a number of apparent errors in the shares of supply presented in the Phase 2 Report. More specifically:<sup>86</sup>
  - (a) FNZ should not be considered to [✂].<sup>87</sup>
  - (b) FNZ should not be considered to [✂].
  - (c) GBST should not be considered to [✂].
10. 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 Merged 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 submitted these errors have 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.<sup>88</sup>

## ***GBST submissions***

11. 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 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.<sup>89</sup>
12. During the remittal, GBST also commented, as relevant for the share of supply analysis, that TCS BaNCS does not compete in Solution for Retail Platforms and that TCS BaNCS's product offering is vastly different from GBST's and FNZ's.

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<sup>86</sup> FNZ Initial Remittal Submission, 12 February 2021, paragraphs 3.1-3.2.

<sup>87</sup> FNZ's submission is based on an article from FT: <https://www.pru.co.uk/press-centre/pru-extends-strategic-partnership/> and <https://www.mandgplc.com/~media/Files/M/MandG-Plc/documents/investors/results-reports-and-presentations/half-year-financial-results-2020-presentation.pdf>.

<sup>88</sup> FNZ Initial Remittal Submission, 12 February 2021, paragraphs 3.3-3.5.

<sup>89</sup> See also, Chapter 8.

## Methodology used for estimating shares of supply

13. In this section we discuss:
- (a) which Investment Platforms are included in our shares of supply estimates;
  - (b) the use of AUA as the basis for our shares of supply estimates, and alternatives we have considered;
  - (c) our approach to allocating AUA to suppliers; and
  - (d) data used in our shares of supply estimates.

### ***Platforms included in shares of supply***

14. We calculated shares of supply for the supply of Retail Platform Solutions in the UK, reflecting our definition of the relevant market.<sup>90</sup> The approach to classifying Investment Platforms is set out in Appendix H, and we set out the classification of different Investment Platforms we have applied in the shares of supply also in Appendix H. We consider that shares of supply that separate Software-only Solutions from Combined Platform Solutions do not provide meaningful insight into competitive dynamics given the scope for competition between suppliers of each of these delivery models, as set out in our assessment of Market Definition.<sup>91</sup>
15. Platforms administering legacy products have been included in our shares of supply estimates where we have information on these.<sup>92</sup> Although the set of competitors for these products may be quite different from those for active platforms, we have taken an inclusive approach to reflect the fact that, in some cases, Investment Platforms may be handling a mixture of active and legacy accounts. Differences between the sets of suppliers to legacy and active platforms have been taken into account in assessing closeness of competition. We note that FNZ conservatively excluded legacy platforms in its shares of supply data used to produce the estimates in paragraphs 28-33.<sup>93</sup>

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<sup>90</sup> The basis for the estimates were: [REDACTED].

<sup>91</sup> See Chapter 6.

<sup>92</sup> FNZ explained its share of supply estimates excluded, inter alia, investment products and platforms that are currently not actively open to new business (closed book or heritage business, particularly insured unit-linked business). This was done because FNZ does not have sufficiently accurate information in relation to those platforms generally for share of supply estimates.

<sup>93</sup> See paragraph 34 for a summary of how this has affected the results of this sensitivity case compared to the base case.

### ***Use of AUA as basis for estimates***

16. 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 considered that we would be unlikely to obtain sufficient data on revenues to be able to reliably estimate shares of supply on this basis, given the large number of third parties from which we would need to obtain this data. This reflects the large number of customers in this market and the range of smaller suppliers that they use to support different elements of their Retail Platforms.
17. An alternative approach is to estimate suppliers' revenues (as FNZ did)<sup>94</sup> based on the AUA of the Retail Platform that they serve, but this would involve making assumptions on whether or how fees are linked to AUA. Given the assumptions required, we concluded that this approach would not be reliable as the basis for share of supply estimates. We note that FNZ's approach used AUA to estimate suppliers' revenues, which also suggests that it is a reasonable proxy for estimating shares of supply.
18. We acknowledge the AUA approach may overstate the shares of suppliers if they provided mostly a small service to large customers. However, this could also be the case with an approach based on estimated revenues because these estimates would be derived from AUA.

### ***Approach to allocating AUA to suppliers***

19. Our starting point for shares of supply estimates was information provided by FNZ identifying the Investment Platforms of different customers, the AUA of these platforms and the Platform Solution providers associated with these platforms. FNZ prepared this information on a 'forward looking' basis, where the AUA of Investment Platforms which were expected to start migrating to a new supplier before the end of 2021 were allocated in full to the new supplier. We also received information from GBST on the Investment Platforms it supplies and the AUA of these platforms. We have also contacted a number of Investment Platforms to gather information on their suppliers of Platform Solutions and AUA.
20. Where Investment Platforms are served by multiple Platform Solutions providers, to avoid potential double-counting we do not attempt to split the AUA between different providers and instead try to identify the main provider of Platform Solutions. Although FNZ data was our starting point, our share of supply estimates were, where possible, based on information provided by

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<sup>94</sup> FNZ Initial phase 2 Submission, Annex 4.

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 estimates. We set out below where differences arose between different sources of information, and our approach to allocating Investment Platforms between different suppliers in these circumstances. In line with FNZ's approach, where Investment Platforms have started migrating or expect to start migrating to a new main provider of Platform Solutions before the end of 2021, we allocate the shares of supply accounted for by these Investment Platforms to the new supplier.

### **Data used in share of supply estimates**

21. At the start of the remittal, we requested updated data from FNZ with regard to Investment Platforms, their suppliers and the AUA on these platforms. The shares of supply used in the Phase 2 Report were based on figures from 2018, whereas the current estimates use the most up-to-date figures available, largely relying on data as of December 2020. We have also supplemented this information with calls with a number of customers to clarify their Platform Solutions providers and the AUA on the associated platforms.
22. With regard to Retail Platforms, compared to the estimates using platforms previously referred to as Retail Platforms in the Phase 2 Report, the value of the AUA which is covered by these estimates has increased from [X] in the Phase 2 Report [X] in our current estimates, a difference of [X] overall.<sup>95</sup> With regard to the wider set of Investment Platforms as considered in our sensitivity test, compared to the equivalent estimates from the Phase 2 Report, the value of the AUA which is covered by these estimates has increased [X] in the Phase 2 Report [X] in our current estimates, a difference [X] overall.
23. The difference in the number of Investment Platforms between our previous and current set of findings is due to the following changes:
24. Regarding Retail Platforms in the base case:
  - (a) we split the Aegon (Cofunds and ARC) platform into two Retail Platforms named Aegon Platform (ex Cofunds) and Aegon Retirement Choices in order to be consistent with FNZ's shares of supply dataset;
  - (b) BWSIPP's supplier was previously understood to be [X]. We now understand that GBST is its main supplier and so have included this platform in our analysis;

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<sup>95</sup> These figures exclude platforms with proprietary or unknown Solution as these do not feature in our analysis.

- (c) The CMA has introduced seven new Retail Platforms based on FNZ's updated shares of supply dataset:<sup>96</sup> [X]. FNZ submitted that, under the CMA's approach, [X] and [X] were Retail Platforms, and that [X], [X], [X], [X] and [X] were 'borderline' platforms.<sup>97</sup> GS Marcus, [X], M&G and Virgin Money told us that their Investment Platforms were in the Retail category, and so we consider these platforms as Retail Platforms as well;
- (d) We removed the 'M&G Pru Advisers' platform<sup>98</sup> from, and added the 'Sonata',<sup>99</sup> 'M&G Equiniti' and 'M&G (SS&C)' platforms to, the Retail category based on information we received from M&G;
- (e) We added the Retail Platforms [X]. Our view is that [X]'s business enables its customers to invest in financial products and so we have conservatively included [X]'s platforms as Retail Platforms; and
- (f) We added the Retail Platform called 'Sanlam Platform' based on information we received from Sanlam UK.
25. Regarding Sensitivity-Only platforms ('Borderline' Platforms in the Phase 2 Report):
- (a) 'Brooks Macdonald was reclassified as a Non-Retail Platform based on information received from the customer; and
- (b) in its updated shares of supply, FNZ combined the Sensitivity-Only platforms '[X]' into one platform named '[X]'. We followed this approach for clarity in how our calculations compare to those of FNZ. There are two new Sensitivity-Only Investment Platforms, '[X]' and '[X]' which were introduced by FNZ as 'borderline' platforms in its most recent shares of supply dataset, which are supplied by JHC.
26. With regard to the number of apparent errors in the share of supply estimates presented in the Phase 2 Report leading to the remittal (as set out in paragraph 9 above):
- (a) In response to our questionnaire, M&G told us that, in relation to the 'M&G Pru Advisers' platform, Pru Adviser was in fact a web interface behind which a Retail Investment Platform 'Sonata' operated. M&G told us that

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<sup>96</sup> Named [X] in FNZ's submission, referred to by us as [X] to avoid confusion with the platform named [X].

<sup>97</sup> For the avoidance of doubt, platforms previously known as borderline are now referred to as 'Sensitivity-Only'.

<sup>98</sup> See paragraph 26 for further details.

<sup>99</sup> [X].

'Sonata' has the same provider and a similar AUA to what FNZ had indicated for the 'M&G Pru Advisers' platform. [REDACTED].

(b) [REDACTED].

(c) We do not agree with FNZ's position that GBST should not be considered to supply the [REDACTED] platform. While [REDACTED], further information-gathering with [REDACTED] has confirmed that it is correct to allocate the AuA of [REDACTED] Retail Investment Platform<sup>100</sup> to GBST.<sup>101</sup>

## Allocation of AUA to main suppliers

27. There are a number of Investment Platforms where we believe that the data on supplier allocations submitted by FNZ needed to be amended, based on evidence submitted by third parties and GBST.<sup>102</sup> Specifically:

(a) [REDACTED], a Retail Platform which uses Platform Solutions from both GBST and JHC: FNZ submitted that only the value of the assets traded on JHC Figaro were relevant for this platform (as other assets attributed to [REDACTED] are held off-platform). This resulted in FNZ changing the AUA of this platform from £[REDACTED], as it had been in earlier iterations of its dataset, to £[REDACTED], with the platform being allocated to JHC. [REDACTED] told us that it uses GBST Composer more than JHC Figaro for this platform,<sup>103</sup> and stated that the entire AUA of the platform (which it told us was £36.6 billion as of 31 December 2020) is handled by GBST, £[REDACTED].of which is also handled by JHC.<sup>104</sup> [REDACTED].

(b) [REDACTED], a Retail Platform:<sup>105</sup> FNZ submitted that SS&C is the main supplier of this platform, and that the platform has an AUA of £[REDACTED]. [REDACTED] told us that GBST is the main provider of this platform, [REDACTED]. [REDACTED].

(c) [REDACTED], a Retail Platform which provides pensions products, [REDACTED].: FNZ submitted that the main investment accounting software provider to this platform was an unknown solution and that GBST handled pensions

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<sup>100</sup> Which [REDACTED] told us was £[REDACTED], as opposed to £[REDACTED]as submitted by FNZ.

<sup>101</sup> [REDACTED]: 'client and adviser administration perspective, GBST will be responsible for all AUA for the Retail Investment Platform'.

<sup>102</sup> We have included at paragraphs 28-33 a sensitivity using FNZ's allocation of AUAs.

<sup>103</sup> [REDACTED] explained it uses Composer for wrapper administration and Figaro as its trading engine and custody system. [REDACTED] said that it uses Composer more in [REDACTED] because it facilitates the remuneration of advisers by their customers and it can facilitate different types of investments. Further, more recently [REDACTED] told us that product level administration (on Composer) and investment administration (on Figaro) are both needed by a proportion of customers on [REDACTED], but all customers on this platform require product level administration.

<sup>104</sup> [REDACTED].

<sup>105</sup> For the avoidance of doubt, this paragraph pertains to the platform named ' [REDACTED]', which belongs to the customer [REDACTED]. [REDACTED]. [REDACTED] also has two other Non-Retail Platforms named '[REDACTED]' and '[REDACTED]'.

administration. [REDACTED] told us that GBST is its main Platform Solutions provider, and that it only offers pensions products. [REDACTED].

(d) [REDACTED], a Retail Platform. FNZ submitted that Temenos is the main Platform Solutions provider to the [REDACTED] Platform and that it has an AuA of £[REDACTED]. [REDACTED] told us that [REDACTED]. [REDACTED].

(e) [REDACTED], a Retail Platform. FNZ submitted that SEI is the main Platform Solutions provider to [REDACTED] and that it has an AuA of £[REDACTED]. The customer told us that Fusion Wealth is its core Platform Solutions provider, and that SEI provides Fusion Wealth with custody services only. [REDACTED].

## **Sensitivity: estimating shares of supply using a wider set of Investment Platforms**

28. Our share of supply estimates for the supply of Platform Solutions to Retail and Sensitivity-Only Platforms in the UK are shown in Table I.1 below.<sup>106</sup> In total, these estimates are based on suppliers to [REDACTED] Retail and Sensitivity-Only Platforms, which account for an AUA of around £[REDACTED].<sup>107</sup>

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<sup>106</sup> The main share of supply estimates in our base case are set out in Chapter 8.

<sup>107</sup> These estimates exclude platforms with in-house Solution or where the Platform Solution provider is unknown. Including these platforms change these figures to [REDACTED].



**Table I.1: Shares in the supply of Platform Solutions to Retail and Sensitivity-Only Platforms in the UK (based on AUA) (2020)**

Supplier Retail Platform Solutions	Share of supply %
FNZ	[10-20]
JHC	[5-10]
<b>FNZ Total</b>	[20-30]
GBST	[10-20]
<b>Parties total</b>	[30-40]
Bravura	[10-20]
Ascentric (via Bravura)	[0-5]
<b>Bravura total</b>	[10-20]
SS&C	[5-10]
TCS BaNCS	[20-30]
Avaloq	[0-5]
IRESS	[0-5]
Objectway	[0-5]
Temenos	[0-5]
SEI	[0-5]
Pershing	[0-5]
PSL	[0-5]
Fusion Wealth Limited	[0-5]
Equiniti	[0-5]
State Street	[0-5]
Hubwise	[0-5]

Source: CMA estimates based on the Parties' data and third party evidence. The shares of supply in the Table present third-party software combined with third-party or in-house servicing. We excluded AUA of any Investment Platforms where the software supplier is unknown.

† According to [redacted] responses to the CMA's September Phase 2 third party questionnaire).

29. These shares of supply indicate that:

- (a) FNZ is the largest supplier with a share of [20-30] %, while GBST is the fourth largest supplier with a share of [10-20]%;
- (b) the Merged Entity is the largest supplier in the market, accounting for [30-40] % of the supply of Retail Platform Solutions in the UK. The share of the Merged Entity is [10-20] % larger than that of the next largest supplier,
- (c) TCS BaNCS is the second largest supplier and holds a [20-30] % share.
- (d) Bravura is the third largest supplier, with a share of [10-20] %, and SS&C is the fifth largest supplier, with a share of [5-10]%;
- (e) Avaloq, IRESS and Objectway are the next largest suppliers, with all three [redacted] with shares of [0-5]%, [0-5]% and [0-5]% respectively;

- (f) no other suppliers have a share larger than [0-5]%. The eight remaining suppliers each with shares of [0-5]% or less cumulatively hold a share of [5-10]%; and
- (g) Bravura, FNZ, GBST, SS&C and TCS BaNCS together account for around [70-80]% of the total AuA of Retail and Sensitivity-Only Investment Platforms.

## **Shares of supply using FNZ allocations**

- 30. To further check the robustness of our results, we have estimated shares of supply for Platform Solutions to Retail Platforms and Platform Solutions to Retail and Sensitivity-Only Platforms, adopting all FNZ's assumptions on classification of Investment Platforms, the allocation of Investment Platforms to different suppliers and the allocation of AUA between suppliers suggested by FNZ (ie not applying the adjustments made by the CMA as described in paragraph 27).<sup>108</sup>
- 31. We believe these estimates significantly understate the position of GBST. Nonetheless, we present these findings as an illustration of how FNZ's claims would affect the shares of supply analysis.
- 32. The shares of supply estimates for the supply of Platform Solutions to Retail Platforms in the UK in 2020, using FNZ's allocation of AUA, are set out in Table I.2 below.

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<sup>108</sup> See Appendix H for further details on the methodology behind platform classification.

**Table I.2: Shares in the supply of Platform Solutions to Retail Platforms in the UK (excluding in-house software) using FNZ's allocation of AUA (2020)**

Software supplier	% Share of supply
FNZ	[20-30]
JHC	[0-5]
<b>FNZ total</b>	<b>[20-30]</b>
GBST	[5-10]
<b>Parties total</b>	<b>[30-40]</b>
Bravura	[20-30]
Ascentric (via Bravura)	[0-5]
<b>Bravura total</b>	<b>[20-30]</b>
SS&C	[20-30]
TCS BaNCS	[5-10]
SEI	[0-5]
Temenos	[0-5]
IRESS	[0-5]
State Street	[0-5]
Hubwise	[0-5]

Source: CMA estimates based on the Parties responses. The shares of supply in the Table present third-party software combined with third-party or in-house servicing. We excluded AUA of any Investment Platforms where the software supplier is unknown.

33. These shares of supply indicate that:

- (a) FNZ is marginally the second largest supplier in the market with a share of [20-30]%, and GBST is the fourth largest supplier, with a share of [5-10]%.
- (b) The Merged Entity is the largest supplier in the market, accounting for [30-40]% of the supply of Retail Platform Solutions in the UK.
- (c) Bravura is the largest supplier ([~~30-40~~]), with a share of [20-30]%.
- (d) SS&C is the third largest supplier with a share of [20-30]%, and TCS BaNCS is the fifth largest supplier, with a share of [5-10]%.
- (e) Bravura, FNZ, GBST, SS&C and TCS BaNCS account for more than [~~30~~]% of the share of supply.
- (f) The five remaining suppliers each with shares below [0-5]% hold a cumulative share of [5-10]%.

34. Our shares of supply estimates for the supply of Platform Solutions to Retail and Sensitivity-Only Platforms in the UK in 2020, using FNZ's allocation of AUA are set out in Table I.3.

**Table I.3: Shares in the supply of Platform Solutions to Retail and Sensitivity-Only Platforms in the UK (excluding in-house software) using FNZ's allocation of AUA (2020)**

Software supplier	Share of supply	%
FNZ	[10-20]	
JHC (FNZ)	[5-10]	
<b>FNZ total</b>	<b>[20-30]</b>	
GBST	[0-5]	
<b>Parties total</b>	<b>[30-40]</b>	
Bravura	[10-20]	
Ascentric (via Bravura)	[0-5]	
<b>Bravura total</b>	<b>[10-20]</b>	
TCS BaNCS	[10-20]	
SS&C	[10-20]	
Avaloq	[0-5]	
IRESS	[0-5]	
Objectway	[0-5]	
Temenos	[0-5]	
SEI	[0-5]	
Pershing	[0-5]	
PSL	[0-5]	
Equiniti	[0-5]	
State Street	[0-5]	
Hubwise	[0-5]	

Source: CMA estimates based on the Parties response. The shares of supply in the Table present third-party software combined with third-party or in-house servicing. We excluded AUA of any Investment Platforms where the software supplier is unknown.

35. These shares of supply indicate that:

- (a) FNZ is the largest supplier with a share of [20-30]% and GBST is [X] supplier with a share of [0-5]%.
- (b) The Merged Entity is the largest supplier in the market by a large margin, accounting for [30-40] of supply. The share of the Merged Entity is [10-20]% [X] than that of the [X] supplier, TCS BaNCS, which accounts for a share of [10-20]%.
- (c) Bravura is the third largest supplier, with a share of [10-20]%, [X] of FNZ. SS&C is the fourth largest supplier, with a share of [10-20]%.
- (d) The shares of supply of Avaloq and IRESS are both [X], with shares of [5-10]% and [0-5]% respectively, [X] the shares of Objectway, Temenos and SEI are all [X], at [0-5]%, [0-5]% and [0-5]% respectively.
- (e) None of the remaining five suppliers have a share above [X]%, and together account for less than [X]% of the share of supply.

- (f) The Merged Entity, TCS BaNCS, Bravura and SS&C together account for around [X]% of the share of supply.
36. One of the most significant differences between the estimates using FNZ's allocations and our base and sensitivity case estimates, is that the positions of both TCS BaNCS and GBST are lower in the estimates using FNZ's allocations:
- (a) TCS BaNCS provides Platform Solutions to [X] legacy platforms [X], which FNZ conservatively did not include in its shares of supply estimates (see paragraph 15).
- (b) We believe that the allocation of suppliers to some Investment Platforms in FNZ's dataset understates the position of GBST [X].

## Appendix J: Tender data

1. In this Appendix, we present our approach to compiling our tender data, as well as our supplementary tender analysis, in particular our findings from Non-Retail tenders. The results of the main tender analysis for Retail Platforms and the sensitivity analysis are set out in Chapters 6 and 8 of the main report.
2. This Appendix is structured as follows:
  - (a) first, we set out our approach to compiling the tender dataset in phase 1, phase 2 and in the remittal, highlighting the changes to the tender dataset during the remittal;
  - (b) second, we explain the approach to our tender analysis; and
  - (c) third, we present tender analysis findings including tenders for Non-Retail Platforms to our dataset.

### Compiling our tender data

#### *Phase 1 Inquiry and Phase 2 Inquiry*

3. The Parties submitted an initial data set during the phase 1 investigation including UK tenders in which FNZ, JHC and GBST participated. The FNZ and JHC dataset covered tenders since 2009, while GBST's dataset started in 2016. The information provided included: (i) the identity of the customer carrying out the tender; (ii) the year of conclusion of the tender; (iii) the Parties' views on the incumbent solution; (iv) the Parties' views on which other competitors participated in the various stages of the tender (eg RFI, RFP); and (v) the Parties' views on the winning bidder.
4. In the Phase 2 Inquiry, we received from each Party an updated and amended version of the original tender dataset with information on the UK tenders in which FNZ, JHC or GBST participated.
5. As the Parties do not have complete and accurate information about other bidders participating in tenders and the winning bidder, we sought to complete and improve the accuracy of the data in phase 2 by asking for detailed information from customers about the tenders they carried out, and from competitors about the tenders they participated in.<sup>109</sup>

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<sup>109</sup> This consists of data submitted by customers and competitors during the Phase 1 Inquiry and Phase 2 Inquiry.

6. The tender dataset used in the Phase 2 Report included a total of [REDACTED] tenders in which at least one of FNZ, JHC or GBST participated between January 2016 and November 2020. From these tenders: [REDACTED] were tenders for Retail Platforms; [REDACTED] were tenders for 'borderline' platforms (as defined in the Phase 2 Report); and [REDACTED] were tenders for Non-Retail Platforms.

### ***Changes to the tender dataset during the remittal***

7. During the remittal the Parties submitted: (i) data on tenders that had progressed or began after the publishing of the Phase 2 Report in November 2020; and (ii) additional information about some of the tenders that took place before the Phase 2 Report, some of which had not been previously identified.
8. The classification of Investment Platforms has also changed slightly since the Phase 2 Report. What were previously referred to as Borderline platforms are now referred to as Sensitivity-Only Platforms. For more information on platform classification, see Appendix H.
9. We also made some changes to the tender dataset based on additional information provided by customers. In total, [REDACTED] tenders were added to the data set during the Remittal Inquiry:
  - (a) [REDACTED] Retail tenders were added, conducted by [REDACTED], [REDACTED] and [REDACTED];
  - (b) [REDACTED] Sensitivity-Only tender was added, conducted by [REDACTED]; and
  - (c) [REDACTED] Non-Retail tenders were added, conducted by [REDACTED] and [REDACTED];
10. In addition to this, four tenders previously considered in phase 1 and 2 were removed from the analysis:
  - (a) [REDACTED] was removed as [REDACTED]. This is outside of the relevant geographic market and thus the tender was removed.
  - (b) [REDACTED] was removed as Nest stated the tender was for a scheme administrator not an investment platform. Based upon Nest's description of their requirements, their needs were materially different from other tenders for investment platforms and so it would not be relevant to include this tender in our analysis.
  - (c) [REDACTED] was removed as Lloyds Schrodgers JV informed us that [REDACTED] Fusion was selected as part of the overall wealth management joint venture transaction entered into between Lloyds and Schrodgers. Lloyds carried out a due-diligence check but this did not constitute a tender [REDACTED].
  - (d) The [REDACTED] was removed as the [REDACTED].

11. The dataset used during the remittal included a total of [REDACTED] tenders in which at least one of FNZ, JHC or GBST participated between January 2016 and February 2021. From these tenders: (i) [REDACTED] were Retail, (ii) [REDACTED] were Sensitivity-Only tenders; and (iii) [REDACTED] were Non-Retail tenders.

## Approach to our tender analysis

12. We have focused our analysis on tenders in which the Parties participated since January 2016 to February 2021, the period for which we were able to compile tender data from both Parties.
13. Participation in tenders is defined as taking part in the early stage. We do not include tenders where suppliers were shortlisted as a potential supplier but never contacted by the customer.
14. Where there were inconsistencies between the information provided by the Parties and by the customer, we assumed that the customer's data (eg information on bidders, classification of Investment Platform segment and solution requirements) was more accurate than the information submitted by the Parties. This was because customers had complete information about all the bidders, the evaluation of each offer and their own requirements.
15. We have identified [REDACTED] tenders in our analysis in which GBST, FNZ or JHC participated and in some cases overlapped, even if these tenders were not identified by the Parties.<sup>110</sup>
16. We had information on bidders provided by the customer running the tender for [REDACTED] Retail tenders, [REDACTED] Non-Retail tenders, and [REDACTED] Sensitivity-Only tenders. For the other tenders, we took the following approach:
  - (a) We considered that a competitor was likely to have more accurate information about its own participation in tenders than the Parties. We received information on tender participation from [REDACTED].
  - (b) In addition to written responses from these competitors, we held calls with [REDACTED] where we asked them to confirm their participation in tenders that the Parties said they had participated and which stage of the process they reached. In the analysis [REDACTED] Retail tenders, [REDACTED] Sensitivity-Only tenders and [REDACTED] Non-Retail tenders contain information on bidders provided by competitors.<sup>111</sup>

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<sup>110</sup> [REDACTED].

<sup>111</sup> This includes where a competitor's bid was included, excluded or confirmed to be part of a tender following their response. For some of these tenders we had information from customers as well as competitors.



- (c) We kept in our analysis bidders that the Parties said participated in the tenders but where we have no corroborating information from customers or those bidders. This was a conservative approach to ensure that all potential bidders were included.
- 17. In addition to the information from the Parties and third parties on UK tenders for Investment Platform Solutions in which the Parties participated, we took into account in our tender analysis the following evidence:
  - (a) qualitative evidence from the Parties' internal documents, in particular the Parties' responses to requests for information (RFIs) and requests for proposals (RFPs); and
  - (b) qualitative evidence from customers' internal documents, in particular customers' tender evaluations.
- 18. The focus of the tender analysis was on Retail tenders. We have supplemented this with a sensitivity analysis that includes both Retail tenders and Sensitivity-Only tenders to assess the robustness of the results.

#### ***Tenders not included in the tender analysis***

- 19. There are a small number of tenders which we have not included in our quantitative tender analysis. We set out details of these processes below and whether they affect our broader analysis:
  - (a) Sanlam informed the CMA of its decision to use Hubwise as the software and outsource services solution provider for one of their Retail Platforms (separate to the tender exercise included in our data). [REDACTED]. Therefore while [REDACTED] directly participated in this process it can be inferred that Hubwise poses a slightly stronger constraint than the quantitative data might indicate.
  - (b) As previously stated the Nest tender was removed as Nest informed the CMA the tender was for a scheme administrator and therefore their needs were materially different than if the tender was for an Investment Platform. The incumbent scheme administrator was TCS and Atos was the winner of this process. [REDACTED]. On this basis we do not believe the results of this process influence our findings in regard to the strength of alternative suppliers on the Parties.
  - (c) Of the suppliers who participated in [REDACTED], only one, [REDACTED], has more than [REDACTED] in tenders for Retail Platform Solutions with either Party. Given the differentiated nature of the market and the fact that [REDACTED], we do not believe

that the results of this tender influence our findings in regard to the strength of alternative suppliers on the Parties.

- (d) [redacted] to a restricted number of suppliers [redacted]. On this basis we do not believe this process influences our findings in regard to the strength of alternative suppliers on the Parties.

### ***FNZ's submissions on our analysis***

20. We considered FNZ's submissions on:
- (a) our approach to sensitivity testing; and
  - (b) FNZ's perceived errors in our analysis.

#### *Sensitivity testing*

21. FNZ submitted that the CMA should also conduct a [redacted], in FNZ's view, [redacted].<sup>112</sup> This submission related to both our tender analysis and our share of supply analysis, which we have considered Appendix H and in the Chapter 8 of the main report.
22. FNZ also submitted that the updated sensitivity test demonstrated a competitive landscape with even more suppliers when 'borderline' platforms are included. FNZ noted that at least [redacted] providers have faced FNZ or GBST in Retail and Sensitivity-Only tenders compared to the [redacted] when solely considering Retail tenders.<sup>113</sup> FNZ further stated that [redacted] competitors have reached the late stage of Retail and Sensitivity-Only tenders compared to [redacted] when solely considering Retail tenders.
23. As set out in Chapter 6, we found that Retail and Non-Retail Platforms have different propositions and different requirements and preferences and different suppliers of Platforms Solutions tend to specialise in serving one or the other type of platform. Therefore, in our view, given these differences, it is not informative and could be misleading to include Retail Platforms and Non-Retail Platforms in our sensitivity analysis to assess the competitive constraints on the Parties for Retail Platform customers.

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<sup>112</sup> FNZ Remittal Submission, 9 March 2021, sections 3.1 and 3.2.

<sup>113</sup> FNZ Initial Remittal Submission, 12 February 2021, paragraphs 2.11(i) and 2.12(i)

24. FNZ stated that our sensitivity analysis should be given at least as much weight as our analysis of Retail Platforms, as it would offer a far better view of platforms with similar solution requirements.<sup>114</sup>
25. Our sensitivity analysis did not focus on the types of Investment Platform where the Parties compete most closely (those with a stronger Retail focus that are therefore more likely to prefer GBST and FNZ's Retail Platform Solutions over Non-Retail Platform Solutions).
26. Our view is that more weight should be given to our analysis of Retail Platforms than our sensitivity analysis. However, both sets of tender analysis produce comparable results.<sup>115</sup> For example, including in-house and FNZ/JHC, only [X] suppliers overlapped with GBST more than two times in both Retail and Sensitivity only tenders. This is compared to the [X] suppliers when just considering Retail tenders. Further, only [X] competitors have interacted with either one of the Parties at the final stage of a Retail or Sensitivity only tender and of these, only [X] others have interacted more than once. This is compared to [X] and [X] respectively when considering only Retail tenders.

#### *FNZ's perceived errors in our analysis*

27. FNZ submitted that the CMA's tender data is based primarily on data from FNZ and GBST and so it may omit additional overlaps between SS&C and GBST.<sup>116</sup> We note that while FNZ's and GBST's dataset were used as a starting point for the analysis, we cross-checked the information provided by the Parties with data provided by numerous competitors (including SS&C) and customers concerning their tenders since 2016. It is therefore not accurate to say that additional overlaps between SS&C and GBST were omitted from the tender data.

### **Non-Retail Platforms tender analysis**

28. In order to provide context and check the robustness of our findings of our analysis of tenders for Retail Platform Solutions (and in addition to the sensitivity including Sensitivity-Only tenders), this section sets out the results of our tender analysis for Non-Retail Platform Solutions. Results of our analysis of tenders for Retail Platform Solutions and the wider set of tenders

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<sup>114</sup> FNZ Remittal Submission, 9 March 2021, section 3.2.

<sup>115</sup> For further information on the results when comparing the outcome of the Retail tender analysis with the wider set of tenders, see Chapter 8.

<sup>116</sup> NoA, paragraph 37(c).

including Sensitivity-Only tender are set out in Chapter 6 and Chapter 8 of the main report.

### ***Analysis of tenders for Non-Retail Platforms relevant to market definition***

29. This section sets out the results of our tender analysis regarding delivery models and in-house provision for Non-Retail Platforms.

#### *Delivery model*

30. We find that there are fewer instances where Software-only suppliers met Combined Platform Solution suppliers in Non-Retail tenders than in Retail tenders.<sup>117,118</sup> This is consistent with the competitive conditions in the supply of Platform Solutions to Retail Platform Solutions being different to the competitive conditions in the supply of Platform Solutions to Non-Retail Platforms.
31. Considering tenders for Non-Retail Platforms, we currently find that:
- (a) in [X] of the [X] tenders for Non-Retail Platforms where we knew the identity of at least two bidders,<sup>119</sup> 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 Non-Retail Platforms where we knew the identity of at least two bidders at the final stage, there was a mix of both Software-only Solution and Combined Platform Solution suppliers at the final stage.

#### *In-house provision*

32. We find that Non-Retail Platforms do not often consider in-house supply of software and/or servicing as a viable alternative, although there are some instances where it was considered.
33. Considering tenders for Non-Retail Platforms, we find that:

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<sup>117</sup> 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 Solution suppliers competing with Software-only Solution suppliers.

<sup>118</sup> 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: [X], who can offer both Software-only and Combined Solutions, were classified as Software-only providers in certain tenders where they offered a Software-only solution.

<sup>119</sup> 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.

- (a) in-house supply was identified as an option in [X] of [X] recent tenders for Non-Retail Platform. [X] of these tenders were won by a pure in-house Platform Solution, and [X] was won by an in-house services Solution in combination with an outsourced Software-only supplier;<sup>120</sup> and
- (b) in-house supply was never identified as an option in cases where the incumbent Platform Solution was fully outsourced. In [X] tenders where in-house supply was identified as an option, the incumbent solution was partially outsourced.

### **Competitive assessment**

#### *Overlaps (Non-Retail Platforms)*

- 34. Since 2016, FNZ, JHC and GBST participated in [X], [X] and [X] tenders for Non-Retail Platforms respectively.
- 35. In terms of the Parties' overlaps with other suppliers in tenders for Non-Retail Platforms:
  - (a) [X] overlapped with FNZ or JHC in [X] tenders, overlapping with FNZ in [X] tenders and JHC in [X] tenders.
  - (b) [X] overlapped with FNZ or JHC in [X] tenders, meeting FNZ [X] times and JHC [X].
  - (c) [X] overlapped with FNZ or JHC in [X] tenders, overlapping with FNZ in [X] tenders and JHC in [X] tenders.
  - (d) [X] overlapped with FNZ or JHC in [X] tenders, meeting FNZ [X] times and JHC [X] times.
  - (e) In-house solutions overlapped with FNZ or JHC in [X] tenders, overlapping with FNZ [X] and JHC [X].
  - (f) [X] all overlapped with FNZ or JHC in [X] tenders, overlapping with FNZ [X] and JHC [X].
- 36. Other suppliers overlapped with FNZ or JHC fewer than [X] times.
- 37. Figure J.1 below summarises these findings.

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<sup>120</sup> 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.

## Figure J.1: Number of times each supplier overlapped with FNZ/JHC in tender for Non-Retail Platforms

[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 FNZ/JHC once include [REDACTED].

### Final stage overlaps (Non-Retail Platforms)

38. As regards FNZ and JHC's participation at the final stage in tenders for Non-Retail Platforms:
  - (a) FNZ reached the final stage in [REDACTED] tenders, [REDACTED] of which it was the only bidder that we had identified at that stage; and
  - (b) JHC reached the final stage [REDACTED] tenders, [REDACTED] of which it was the only bidder that we had identified at that stage.
39. Table J.1 below show the frequency with which FNZ or JHC met other suppliers in the [REDACTED] tenders for Non-Retail Platforms in which they reached the final stage.
40. The table shows that:
  - (a) [REDACTED] overlapped [REDACTED] with FNZ and [REDACTED] with JHC
  - (b) [REDACTED] overlapped [REDACTED] with JHC
  - (c) [REDACTED], [REDACTED], [REDACTED] and [REDACTED] all overlapped [REDACTED] with FNZ

**Table J.1: Suppliers which overlapped with FNZ/JHC at the final stage of Non-Retail tenders**

[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.

### Winners (Non-Retail)

41. We also analysed the winners of tenders for Non-Retail Platforms where the Parties bid. We found that FNZ won [REDACTED] tenders and JHC won [REDACTED] tenders during the period. We found that:
  - (a) [REDACTED] won [REDACTED] against FNZ and [REDACTED] against JHC.
  - (b) [REDACTED], [REDACTED] and [REDACTED] won [REDACTED] against FNZ and [REDACTED] against JHC.
  - (c) [REDACTED] each won [REDACTED] against FNZ and [REDACTED] against JHC.

42. Figure J.2 below presents these findings.

**Figure J.2: Number of times each supplier won a Non-Retail tender in which FNZ/JHC participated**

[✂]

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

Note: This includes all competitors who have won a Non-Retail Platforms tender when overlapping with the Parties that we could identify, including tenders in which a winner was chosen but the customer abandoned the project. The graphs exclude, therefore, on-going tenders, abandoned tenders that concluded without a winner and tenders where the outcome was unknown.

Note: In addition to the [✂] tenders which we classified as Non-Retail, Figure J.2 also includes the Non-Retail components of the [✂] tender, which is classified as a Sensitivity-Only case. [✂]

## Appendix K: Assessment of alternative suppliers

### Assessment of alternative suppliers based on third party evidence

1. We received additional information from third parties on the following suppliers:
  - (a) The six suppliers for which we calculated closeness scores showing how close an alternative they are to the Parties,<sup>121</sup> namely – Bravura, SS&C, SEI, Pershing, Avaloq and Temenos.
  - (b) IRESS and TCS BaNCS, who FNZ submitted are also active in the supply of Retail Platform Solutions.<sup>122</sup>
  - (c) Hubwise and SECCL, which the Parties and some third parties have referred to as competitors of the Parties.
  - (d) A group of suppliers that most third parties indicated were not competitors of the Parties.
  - (e) In-house supply of both software and servicing.

#### **Bravura**

2. Bravura is an Australian firm active in the UK market. Its key product is Sonata which is usually sold as a Software-only Solution but can also be combined with third party servicing suppliers (such as Genpact<sup>123</sup>) to provide a Combined Platform Solution. Bravura's main customers in the UK are Retail Platforms, such as Royal London, Scottish Friendly, Nucleus, Fidelity and Ascentric.
3. Bravura considers itself to compete most closely with GBST and told us that it competes with FNZ 'in as much as the market can employ [Bravura's] solutions and build their own operation or choose to outsource their investment operation and take a service from FNZ'. Bravura indicated that 'it has no plans at present to change [its] business model to compete with FNZ' by offering servicing solutions itself.
4. Third parties consider Bravura as a close competitor of the Parties in the supply of Retail Platform Solutions mainly because its technology is

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<sup>121</sup> See Chapter 8.

<sup>122</sup> FNZ Initial Phase 2 Submission, paragraph 1.2.

<sup>123</sup> Bravura has a licence agreement with Genpact that enables the latter to offer a combined technology and service proposition to the market.



comparable to FNZ and GBST, it has similar experience, and a good reputation in the UK market.

5. While Bravura only provides software-only solution, nine third parties<sup>124</sup> considered Bravura in partnership with a servicing provider like Genpact a credible supplier of Combined Platform Solutions. However, three third parties do not consider the partnership between Genpact and Bravura as a suitable alternative to Combined Platform Solutions:
  - (a) one third party said Genpact's partnership with Bravura 'has to date lacked sufficient investment and marketing spend to achieve competitive scale';
  - (b) one third party said that Nucleus being its primary client, the partnership 'has not been tested at scale in the UK market and is not as attractive as FNZ's overall solution'; and
  - (c) another third party told the CMA that Genpact 'doesn't have a real market presence anymore' and seems to be 'retreating from the market'.<sup>125</sup>
6. Evidence from customers' tender evaluations indicates that customers consider Bravura's proposition as strong in the Retail segment and similar to GBST's offering, although GBST has some advantage in relation to implementation timescales and pricing:
  - (a) Two customers identified Bravura and GBST's offerings as similar. Customers see Bravura as a provider with a strong administration system for Retail Platforms, even though one customer pointed to Bravura's limited SIPP functionality.
  - (b) Two customers identified Bravura as a provider with a successful track record of deliveries in the Retail segment, while another customer highlighted that Bravura [REDACTED]. This is consistent with Bravura's focus in the Retail segment.
  - (c) Two customers indicated Bravura's long timescale for implementation of the solution was not compatible with their plans, while one customer was advised by a consultancy to not shortlist Bravura based on their comparisons to other SIPP Administration software suppliers.

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<sup>124</sup> Three customers ([REDACTED]), three competitors ([REDACTED]) and three consultants ([REDACTED]). See related responses to the phase 1 and phase 2 third party questionnaires.

<sup>125</sup> [REDACTED]. This was also confirmed by [REDACTED].

- (d) Three customers indicated that Bravura's price was high when compared to GBST's price.

## **SS&C**

7. SS&C is a US firm that offers both Software-only Solutions and Combined Platform Solutions to Retail Platforms. However, SS&C said [REDACTED].
8. SS&C's UK revenues from Retail Platforms are almost entirely derived from one large customer – St James's Place, which is the UK's largest retail financial advisory business.
9. SS&C submitted that it is trying to compete in the supply of Retail Platform Solutions but is not as strong a competitor as it would like. It considers that it competes more closely with FNZ than GBST but does not consider itself to compete strongly with either of the Parties due to [REDACTED].
10. SS&C submitted that, in order [REDACTED] with FNZ and GBST's offerings, [REDACTED]. In particular, SS&C explained that [REDACTED] Bluedoor [REDACTED] (i) it is not an 'open architecture' solution in terms of the underlying investments it supports; (ii) it is not multi-currency (it has no conversion functionality and so it can only manage assets denominated in Pounds Sterling); and (iii) it does not have front-end functionality to let external wealth managers rebalance and run client funds across separate portfolios. [REDACTED].
11. FNZ submitted that 'SS&C's offering also allows it to supply open architecture platforms'. FNZ also submitted that the successful migration of St James's Place onto SS&C's Bluedoor software is likely to have addressed concerns from third parties regarding the migration of customers onto this software.<sup>126</sup>
12. Third party evidence generally supports what SS&C told us:
  - (a) some third parties consider SS&C to be an alternative supplier of Retail Platform Solutions;
  - (b) customers who would look at SS&C as an alternative supplier also said that SS&C is only really working with St. James's Place in the UK, and that it has limited scale and gaps in its product capability, such that it is a weaker player than GBST, FNZ, and Bravura; and

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<sup>126</sup> FNZ response to the Provisional Findings, paragraph 4.9.

- (c) competitors submitted that there are internal technology issues with SS&C's software Bluedoor and that this solution cannot be readily used by other Investment Platforms.
13. Third parties further said that SS&C had suffered a high-profile failure to implement a software and administration solution for Quilter (Old Mutual Wealth), which has undermined the credibility of its proposition. SS&C explained that [REDACTED], Quilter (Old Mutual Wealth) decided to pull out of the project in 2017 and begun a migration to FNZ's system.
14. Qualitative evidence from customers' tender evaluations indicates that SS&C does not have a good reputation in the market and its Platform Solution is not suitable for most Retail Platforms:
- (a) One customer noted that SS&C 'have recently experienced significant difficulty in implementing platform solutions for two significant customers with high-profile delays, cost overruns and functional defects'.
- (b) Another customer dropped SS&C from its tender process 'due to a number of material capability gaps in their proposal and the poor quality of their submission', highlighting that they did not have 'enough confidence in the solution' and it scored far below GBST and Bravura. The customer also indicated that 'the solution offered is based on the SJP [St. James's Place] proposition which is quite bespoke', which is consistent with SS&C's solution not being suitable for most Retail Platforms.

## **SEI**

15. SEI is a US firm which provides a Combined Platform Solutions through its 'Wealth Platform' division. Its largest market is the US, but it also has a long-standing presence in the UK. [REDACTED].
16. SEI submitted that it has proven scale and can supply both Retail and Non-Retail Platforms in the UK, and has done so since it launched its product in the UK in 2008. It considers itself to compete with FNZ in the UK 'for the same mandates' but only to a limited extent with GBST due to the difference in their delivery models. It told us that it will only compete with GBST where a customer is undecided on its preferred delivery model or where GBST competes for combined Platform Solution opportunities by partnering with a servicing provider.
17. Third parties had different views on the breadth and strength of SEI's offering but overall this evidence indicated significant weaknesses with its Retail Platform Solution:

- (a) four third parties indicated that SEI had historically focused more on supplying Non-Retail Platforms but is also able to serve Retail Platforms;
  - (b) [REDACTED] considered that SEI is more focused on private banking and private client investment management segments and noted that, where customers typically have a lower demand for complex product wrapper functionality such as drawdown, SEI would need to further develop its software in order to be considered a credible Retail Platform Solutions supplier. [REDACTED] indicated that to improve its Retail offering SEI would need to develop on-platform pension administration. SEI confirmed that it is not a pension administration provider however SEI does support on-platform pensions for a number of clients by integrating with pension administrators.
  - (c) two third parties stated that SEI uses 'older technology' and another third party noted that its technology is not considered as strong as the technology of FNZ or GBST;
  - (d) one party noted that SEI 'only operate as a white label provider to individual adviser groups but does not have its own proposition in its own name open to wider adviser use';
  - (e) two customers indicated that SEI does not offer the full product suite that they require. Another customer noted that SEI does not 'currently demonstrate the level of scale [it] requires'; and
  - (f) two competitors observed that SEI is not particularly successful in the UK and that its customers are smaller organizations.
18. Qualitative evidence from customers' tender evaluations shows that customers [REDACTED]:
- (a) one customer which operates a Retail Platform indicated that 'the SEI solution was discounted on the basis the platform is primarily targeted at the discretionary market and mid-sized advice platforms and is unproven within the [REDACTED] peer group;' and
  - (b) one customer which operates an Investment Platform with both Retail and Non-Retail characteristics indicated that SEI is 'a strong organisation but the core system had a number of functional gaps and were comparatively expensive'.

## ***Pershing***

19. Pershing is part of the Bank of New York Mellon Corporation and supplies both Combined Platform Solutions and servicing solutions. It does not offer Software-only Solutions.
20. Pershing told us that, while it can serve both Retail and Non-Retail Platforms and it is a competitor to the Parties, its 'current customer base is more weighted towards non-Retail Platforms with its inherent service requirements' and noted that its typical clients are discretionary wealth managers.
21. Third party evidence generally supports what Pershing told us. Third party evidence indicates that, in the UK, Pershing focuses on the Non-Retail segment, as it offers limited UK wrapper capabilities and focus on supporting more complex assets. In this respect, evidence also indicates that in order for Pershing to meet the requirements of Retail Platforms it would need to demonstrate its ability to support multiple tax wrappers, adviser process flows and modelling capabilities, portfolio management/SMA processes, customer portals and reporting, together with evidence of trade execution accuracy, systems stability/availability, operational scalability, regulatory compliance, robust and tested authentication and security, as well as a track record of change delivery and innovation and make improvements to its front-end adviser experience.
22. Third party evidence also indicates that Pershing has only a limited presence in the UK market. Furthermore, third parties submitted that it has a dated technology with limited functionality and is expensive.

## ***Avaloq***

23. Avaloq is a Swiss firm active in the UK for approximately ten years. Avaloq told us that it is a provider of software-only and Combined Platform Solutions.
24. Avaloq told us that it is not 'currently actively targeting the retail market' and it serves more the 'ultra/high net worth end of the market' and focuses on 'sophisticated', more complex products. Avaloq sees itself as a competitor of FNZ for Private-client Platform customers because, according to Avaloq, FNZ was more focused on Retail Platforms but it is seeking to broaden the breadth of firms it provides services to.
25. In order to support Retail Platforms, Avaloq explained that it would have to 'develop UK BPO capabilities and likely provide regulated services such as custody. Avaloq would also have to develop pension administration capability and market heavily in this area'.

26. Third party evidence is consistent with what Avaloq told us. Third parties said that its offering is currently addressed to Private Client Investment Management Platforms and is not suited for Retail Platform requirements because, it lacks complex UK tax wrapper capabilities. One customer told us that adapting Avaloq's offering would require 'extensive/potentially green field development'.
27. Two consultants told us that Avaloq has the potential to become a more significant player in the supply of Retail Platforms, but the absence of experience and market share in the UK constitutes a weakness.

### ***Temenos***

28. Temenos is a technology firm that offers a front and back office software solution to banks. Its presence in the UK is currently limited to the provision of software to private banks, including [REDACTED].
29. Temenos told us that it does not consider itself as a competitor to the Parties in Retail Platform Solutions and is not familiar with GBST. It specified that it competes primarily with Avaloq for Private Banking and Wealth Management customers and sees FNZ as a potential competitor only in that segment.
30. Temenos told us that it is not active in supporting retail banks' wealth management services. [REDACTED]. Temenos submitted that any attempt to enter would require [REDACTED].
31. Third parties see Temenos as offering a 'core banking system' with no penetration in the UK Retail Platform segment. We were told by two third parties that its system does not currently support the needs of Retail or workplace customers in the UK, because it lacks UK tax wrapper capabilities. In this respect, we were told by a third party that, for Temenos to adapt its offering to support Retail Platforms, 'the scale of development required would be great'.
32. Evidence from one customer's tender assessment indicate that Temenos has 'a strong and configurable core engine, but lacking [sic] in UK-specific functionality and a weak implementation proposal'.

### ***TCS (Tata Consultancy Services)***

33. TCS is an Indian firm that provides Software-only Solutions and Combined Platform Solutions to Investment Platforms, catering for the full spectrum of the market segments including high net worth clients, affluent clients and mass market clients. [REDACTED] and [REDACTED].

34. TCS sees itself as competing with both FNZ and GBST. Despite its current limited presence in the UK Retail Platform Market, TCS has plans to expand in this space. It submitted that increasing its presence would take time because customers are resistant to changing providers.
35. TCS added that its work with [REDACTED] enables it to handle scaled, end-to-end operations in the UK. However, it does not help TCS tender for pure investment opportunities in the market because it does not contribute towards this kind of track record.
36. We heard from one external consultant that TCS provides Life and Pension BPO services and has experience of operating in this sector.
37. However, only two of the Parties' customers mentioned TCS as a suitable alternative provider of servicing/BPO solutions.
38. One of the Parties' customers (Aegon) said that TCS's back office platform offering (books and record keeping) is quite different to that of GBST's, although it noted that it had not specifically discussed with TCS whether TCS could provide alternative services to GBST.
39. One of Diligenta's customers [REDACTED].
40. Among consultants, only [REDACTED] considers TCS as a suitable supplier of Retail Platform Solutions in the UK due to its 'experience in the sector'.
41. GBST submitted that TCS's presence in the supply of Retail Platform Solutions is mainly limited to the supply of a servicing offering to NEST, while its relationship with [REDACTED].

## **IRESS**

42. IRESS is headquartered in Australia and provides software solutions to the wealth management industry. We did not receive any submissions from IRESS.
43. GBST told the CMA that it is not a direct competitor in the supply of Retail Platform Solutions, its core business being 'Adviser Portal technology' (Xplan software).
44. IRESS was mentioned by one Non-Retail Platform and one Sensitivity-Only Platform as a credible supplier, while no Retail Platform listed IRESS as a credible supplier. Only one consultant sees IRESS as a possible alternative to FNZ and GBST.

## **Hubwise**

45. Hubwise is a supplier of Retail Platform Solutions offering a Combined Platform Solution. It sees itself as competing very closely with FNZ and GBST. Nevertheless, it specified that 'FNZ and GBST focus on tier one market participants (...), whilst Hubwise [has] a current focus on the mid-tier segment'. Hubwise explained that its scale is preventing it from securing contracts with larger clients. Hubwise aims to grow its 'balance sheet and reputation to start appealing to tier one firms'.
46. Among consultants, one consultant described Hubwise as a 'new entrant' in the supply of Retail Platform Solutions who is acquiring AUA. Another consultant has highlighted that Hubwise has won 'high-profile deals' with Sanlam and Tenet, the latter an extension in service to their 2017 deal.
47. Moreover, third parties told us that Hubwise is not considered a credible competitor for Retail Platforms due to its insufficient scale, limited services and absence of track record, although one third party did consider Hubwise as a credible competitor, with another praising the 'good digital experience' its solution provided clients and financial advisers.

## **SECCL**

48. SECCL, acquired by Octopus in 2019, is a recently launched business offering Combined Platform Solutions. Although SECCL 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.
49. One customer told us that SECCL's breadth and depth of functionality is not yet comparable to that of other major players and that it does not have a track record of working with credible platform businesses. The customer said that it will take many years for SECCL to build up the breadth of functionality required to compete with larger competitors.

## **Other suppliers**

50. We summarise the information received from third parties on suppliers that only appeared infrequently throughout our evidence gathering.
51. IMIX offers a Software-only Solution. Its solution covers portfolio modelling, performance measurement, order and creation management, tax, client reporting and regulatory services.



52. IMIX submitted that its offering is narrower than GBST's and FNZ's and it has historically provided only specific front office components and not the wider back office software capability. IMIX considers that its core products are more complementary to the Parties and it has worked with GBST in the past.
53. IMIX is now developing its own back office solution which may bring it into closer competition with the Parties. However, this solution needs to be further developed and, according to IMIX, this would take approximately five years. Wise Investments utilises IMIX only for its front-end system, which it uses for its analysis, reporting, filtering, making decisions and placing orders; IMIX then sends these orders to Pershing (NEXUS), which handles the back-office software and servicing.
54. EValue does not consider that it competes with FNZ or GBST because its software solutions are different. Specifically, EValue said it does not provide back office functionalities, it provides software solutions to help end customers or advisers to model financial planning scenarios. Evidence from one customer's tender evaluation indicates that Evalue does not provide SIPP back office system administration but that it is specialised in pension advice tools.
55. Torstone submitted that it is [REDACTED].
56. Sapiens provides property & casualty, life and pensions (including Retail Investment Platform) and reinsurance software. Its target clients are insurers. It submitted that it competes with FNZ and GBST only occasionally. Sapiens plans to compete more closely with GBST on mid-lower tier opportunities as part of its five year strategy for the UK market.
57. Objectway provides software mainly to Non-Retail Platforms. [REDACTED].
58. Dunstan Thomas offers software and servicing to technology platforms, retirement market and Wealth Managers in the UK and South Africa. Its services include illustration (providing customers with quotes for investments and pensions), and policy administration (SIPP and retirement products).
59. Dunstan Thomas said that its software tends to be used alongside GBST, FNZ and Bravura's offering instead of replacing it. However, there is some competition on the policy administration capability because FNZ, Bravura and GBST have this element as part of their offerings.
60. Dunstan Thomas said that it does not compete directly against FNZ and GBST because they do not have the same product offering. Clients would have chosen their software platform provider before they approach Dunstan Thomas, who only provides the add on components.

61. Evidence from one customer tender assessment indicates that [REDACTED].
62. Ohpen supplies investment and savings accounts with or without tax wrappers, and focuses on retail banks, pension providers, investment platforms and asset managers. Ohpen said that it therefore competed very closely with FNZ when it entered the UK market in 2016. Since 2018, [REDACTED].
63. Qualitative evidence from a customer's tender evaluation indicates that ERI Bancarie lacks UK-specific functionality and expertise, despite having a strong core engine.
64. One customer's tender assessment indicated that InvestCloud were not able to meet UK credentials and lacked overall capabilities for Retail Platforms.

### ***In-house***

65. Evidence from competitors, consultants and customers indicates that there is an increasing tendency for customers to outsource the provision of software solutions and that in-house software does not provide a strong constraint on the Parties. More specifically:
  - (a) Two competitors indicated that there is a tendency to outsource software, for reasons that relate to quality, economies of scale and cost. For example, one competitor submitted that: 'Very few of the major platforms continue to operate their own in-house software... Driver has been the need for a proven and scalable system and the need to share the costs of systems development and testing to meet rapidly evolving market and regulatory demands.' Another competitor submitted that there 'is limited value [for a Platform] in building [its] own software'.
  - (b) Two out of four consultants indicated that, whilst providing software in-house is a viable option for some Retail Platforms, there is a trend towards outsourcing software, with Investment Platforms continuing to provide software in-house being large or having a niche offering.
  - (c) 26 of the 29 customers that commented on in-house supply indicated that they outsource software,<sup>127</sup> for the same reasons listed by competitors, but also because they lack the expertise required to develop and maintain a software solution in-house. For example, one customer submitted that: 'It is typically more cost effective and we can expect to achieve a quicker, cheaper, better solution by selecting a best of breed provider who specialises in this area... On-going updates and changes to meet legal,

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<sup>127</sup> Three customers told us they have in-house software and six customers provided neutral/no response.

regulatory and other mandatory requirements are usually performed by the platform provider and leveraged by many customers... External suppliers also provide on-going technological investment and improvement’.

66. Evidence on the viability of in-house servicing solutions is more mixed. A number of Retail Platforms provide at least some aspects of servicing in-house. More specifically:
- (a) One competitor indicated that there is a tendency to provide servicing in-house. However, three competitors indicated that there is a tendency to outsource servicing.
  - (b) One consultant indicated that there is a tendency to provide servicing in-house, whilst two consultants indicated that there is a tendency to outsource servicing, for reasons that relate to economies of scale.
  - (c) 14 of the customers that commented on in-house supply indicated that they provide servicing in-house, as clients value the personal nature of the offering, or they have sufficient scale. However, 11 customers that commented on in-house supply indicated that they either partially or fully outsource servicing.<sup>128</sup>
67. Qualitative evidence from a customers’ tender evaluation indicates that, when assessing the market, consultants may provide the strengths and weaknesses of proprietary solutions. In that case, the advantages listed were:
- (a) the in-house solution will fit the customer’s business model more closely than an off the shelf solution;
  - (b) the customer has a closer control over development direction of the technology; and
  - (c) the customer has the ability to white label or licence the solution to other platforms to diversify revenue streams.
68. The disadvantages highlighted were:
- (a) high initial development costs;
  - (b) a poor design of the solution will incur higher maintenance costs and become a barrier to growth (the consultancy used Ascentric as an

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<sup>128</sup> Twelve provided neutral/no response.

example, which developed a poor in-house solution and was re-platforming to Bravura at the time);

- (c) large volume of technical staff; and
- (d) costs to keep the technology current for market and to incorporate regulatory changes and less ability to share ongoing investment among other users of the technology.

## Appendix L: Third party alternative supplier scores

1. This Appendix presents further evidence on the 'closeness scores' received from the Phase 2 third party competitor, customer and consultant questionnaire responses which are set out in Chapter 8.
2. The Parties' competitors, customers and consultants were asked in questionnaires to consider the extent to which alternative suppliers were a close alternative to FNZ and GBST. Seven competitors, three consultants and 23 customers responded to the request and provided closeness scores.
3. In Chapter 8, we presented average closeness scores based on the scores provided by all third parties. This excluded customers that had not tendered since 2016 as we gave lower weight to their views. An alternative version of this figure below shows the average closeness scores when we include the scores of all third parties, including customers that have not tendered recently.

**Figure L.1: Average closeness of competition scores for alternative suppliers to FNZ and GBST (1 = not at all a close alternative, 5 = a very close alternative), all third party responses**

[✂]

Source: CMA analysis of customer, competitor and consultant responses to the phase 2 third party questionnaires.

4. The scores given to FNZ show that all third parties considered, on average, that:
  - (a) GBST and Bravura are the closest alternatives to FNZ (scores between 3.5 and 4);
  - (b) they are followed by SEI and SS&C (scores between 3 and 3.5); and
  - (c) Pershing and Avaloq are less close alternatives (scores between 2.5 and 3), with Temenos (score between 2 and 2.5) being the least close.
5. With respect to GBST, third parties considered that:
  - (a) Bravura is the closest alternative (score between 4 and 4.5);
  - (b) it is followed by FNZ (score between 3.5 and 4);
  - (c) SS&C, SEI and Avaloq are the next closest competitors (scores between 2.5 and 3); and
  - (d) Pershing and Temenos (with scores between 2 and 2.5) are even less close.

6. The closeness between the Parties shown is consistent with the customer responses to our Phase 1 questionnaire, where customers were asked whether FNZ and GBST compete closely with each other. Out of the 16 customers that gave a view, 14 considered that the Parties were close competitors.
7. As a result of the inclusion of scores from those customers who did not tender recently, the closeness score of GBST to FNZ reach a similar level as the closeness score of FNZ to GBST (whereas in Chapter 8, there was a larger difference between these closeness scores).
8. Compared to data shown in Chapter 8, there are also some other differences in closeness scores from all third parties: all third parties ranked Bravura as a slightly less close alternative to GBST while SS&C was viewed as a less close alternative to FNZ.

# Appendix M: Competitive assessment – Internal document screenshots

## FNZ documents

Figure M1: [✂]

[✂]

Figure M2: [✂]

[✂]

Figure M3: [✂]

[✂]

Figure M4: [✂]

[✂]

Figure M5: [✂]

[✂]

Figure M6: [✂]

[✂]

Figure M7: [✂]

[✂]

Figure M8: [✂]

[✂]

Figure M9: [✂]

[✂]

Figure M10: [✂]

[✂]

Figure M11: [✂]

[✂]

Figure M12: [✂]

[✂]

Figure M13: [✂]

[✂]

**Figure M14:** [✂]

[✂]

**Figure M15:** [✂]

[✂]

**Figure M16:** [✂]

[✂]

**Figure M17:** [✂]

[✂]

**Figure M18:** [✂]

[✂]

**Figure M19:** [✂]

[✂]

## **GBST documents**

**Figure M20:** [✂]

[✂]

**Figure M21:** [✂]

[✂]

**Figure M22:** [✂]

[✂]

**Figure M23:** [✂]

[✂]

**Figure M24:** [✂]

[✂]

**Figure M25:** [✂]

[✂]

**Figure M26:** [✂].

[✂]

**Figure M27:** [✂]

[✂]



**Figure M28:** [✂]

[✂]

**Figure M29:** [✂]

[✂]

**Figure M30:** [✂]

[✂]

**Figure M31:** [✂]

[✂]

**Figure M32:** [✂]

[✂]

**Figure M33:** [✂]

[✂]

**Figure M34:** [✂]

[✂]

**Figure M35:** [✂]

[✂]

**Figure M36:** [✂]

[✂]

**Figure M37:** [✂]

[✂]

**Figure M38:** [✂].

[✂]

**Figure M39** [✂]

[✂]

**Figure M40:** [✂]

[✂]

## Appendix N: Examples from internal documents for the competitive assessment

### Closeness of competition between the Parties

#### *The Parties' position in the market*

##### *FNZ documents on its general position*

1. In a [REDACTED], FNZ positions itself as [REDACTED].<sup>129,130</sup> [REDACTED].<sup>131</sup> FNZ submitted that 'these slides are from a pitch/marketing document addressed to investors'.
2. A [REDACTED]. The presentation also [REDACTED]. FNZ submitted that [REDACTED].
3. A similar [REDACTED] FNZ presentation [REDACTED].
4. A [REDACTED] FNZ Management presentation [REDACTED]. [REDACTED].
5. A [REDACTED] FNZ [REDACTED]. [REDACTED].<sup>132</sup> [REDACTED].
6. A statement by FNZ [REDACTED].<sup>133</sup> [REDACTED].
7. A [REDACTED] report for FNZ [REDACTED].
8. [REDACTED].

##### *FNZ documents on its strengths in software and servicing compared to its competitors*

9. In a [REDACTED] response to a request for information from a customer,<sup>134</sup> FNZ notes [REDACTED]. [REDACTED].<sup>135</sup> [REDACTED].
10. In a [REDACTED] FNZ presentation FNZ describes itself as [REDACTED].
11. In a [REDACTED] FNZ presentation [REDACTED]:
  - (a) [REDACTED].<sup>136</sup>

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129 [REDACTED]  
130 [REDACTED]  
131 [REDACTED]  
132 [REDACTED]  
133 [REDACTED]  
134 [REDACTED]  
135 [REDACTED]  
136 [REDACTED]

(b) [REDACTED].<sup>137</sup>

12. A [REDACTED] presentation, produced in [REDACTED]<sup>138</sup> [REDACTED].<sup>139</sup> [REDACTED]:

(a) [REDACTED];

(b) [REDACTED].

13. [REDACTED].

14. A [REDACTED] report by [REDACTED]. Although this document was prepared by a third party, extracts were incorporated into an FNZ management document without FNZ criticising their content.

15. A [REDACTED] report by [REDACTED].

#### *GBST documents*

16. A GBST [REDACTED].

17. A GBST [REDACTED].<sup>140</sup>

#### ***FNZ and GBST as competitors***

##### *FNZ documents*

18. A [REDACTED] FNZ Management presentation [REDACTED], indicating that [REDACTED]. FNZ submitted that [REDACTED].

19. A [REDACTED] FNZ Management presentation provides shares for [REDACTED]. FNZ submitted that [REDACTED].

20. In a [REDACTED] FNZ presentation [REDACTED].<sup>141</sup> [REDACTED].<sup>142</sup>

21. An FNZ presentation [REDACTED].<sup>143</sup> [REDACTED].<sup>144</sup> [REDACTED].

22. [REDACTED]<sup>145</sup> [REDACTED].

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<sup>137</sup> [REDACTED]

<sup>138</sup> [REDACTED]

<sup>139</sup> [REDACTED]

<sup>140</sup> [REDACTED]

<sup>141</sup> The platforms are [REDACTED].

<sup>142</sup> [REDACTED]

<sup>143</sup> [REDACTED].

<sup>144</sup> [REDACTED].

<sup>145</sup> In its response to Competitive Assessment – Internal Documents Working Paper: comment to paragraph 45(f), FNZ clarified that [REDACTED]. Nevertheless, we consider that from this document it can be inferred that [REDACTED].

23. A[n] [REDACTED] Outsourcing Services Agreement [REDACTED].<sup>146</sup> [REDACTED].
24. A[n] [REDACTED] Services Agreement [REDACTED].<sup>147</sup> [REDACTED].
25. Example where GBST and JHC appeared to have competed closely for a customer: [REDACTED].<sup>148</sup>
26. [REDACTED].<sup>149</sup> The report concludes that [REDACTED].<sup>150</sup> However, the report also noted that [REDACTED]. While this document was prepared by a third party, extracts of it were incorporated into an FNZ management document.
27. The [REDACTED]. The report states that [REDACTED]. The report also notes that [REDACTED]. FNZ said that [REDACTED]. We do not consider that this conflicts with our overall findings regarding FNZ and GBST as competitors.
28. A [REDACTED] spreadsheet [REDACTED], and
  - (a) [REDACTED].
  - (b) [REDACTED].
  - (c) FNZ [REDACTED] state that [REDACTED].

#### *GBST documents*

29. A GBST [REDACTED].<sup>151</sup> [REDACTED].
30. In a 2019 GBST document [REDACTED].
31. A similar view is expressed in another document [REDACTED].
32. [REDACTED].<sup>152</sup>
33. A GBST Management Presentation to [REDACTED].<sup>153</sup>
34. A GBST Strategy Presentation [REDACTED].
35. [REDACTED].<sup>154</sup>

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<sup>146</sup> [REDACTED].

<sup>147</sup> [REDACTED].

<sup>148</sup> [REDACTED].

<sup>149</sup> [REDACTED].

<sup>150</sup> [REDACTED].

<sup>151</sup> [REDACTED].

<sup>152</sup> [REDACTED].

<sup>153</sup> [REDACTED].

<sup>154</sup> [REDACTED].

36. GBST Board reports include [REDACTED].
37. A 2018 report for GBST by [REDACTED] and [REDACTED].
38. A 2019 GBST report '[REDACTED].

### ***GBST and Equiniti partnership as a competitor to FNZ***

#### ***FNZ documents***

39. In an FNZ's presentation [REDACTED]. FNZ has submitted that this section of the document [REDACTED].<sup>155</sup> FNZ submitted that [REDACTED].
40. [REDACTED].
41. A 2018 [REDACTED]. Extracts of this document were incorporated into an FNZ management report.

#### ***GBST documents***

42. [REDACTED].<sup>156</sup> [REDACTED].
43. A GBST presentation on [REDACTED].

### **Competitive constraints from alternatives**

#### ***FNZ documents***

44. A [REDACTED] FNZ management presentation [REDACTED]. FNZ submitted that 'this document was a presentation to a prospective investor'.
45. A [REDACTED] FNZ management presentation [REDACTED].<sup>157</sup> FNZ submitted that [REDACTED].
46. [REDACTED]<sup>158, 159</sup>
47. FNZ told us that [REDACTED]. [REDACTED].
48. A [REDACTED] FNZ presentation [REDACTED]. [REDACTED].

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<sup>155</sup> [REDACTED].

<sup>156</sup> [REDACTED]

<sup>157</sup> [REDACTED].

<sup>158</sup> [REDACTED].

<sup>159</sup> [REDACTED].

49. FNZ presentation [REDACTED]: [REDACTED]. JHC [REDACTED].<sup>160</sup>
50. [REDACTED].
51. Two internal FNZ documents refer to [REDACTED].
52. [REDACTED]. In addition to GBST, there are [REDACTED] competitors listed which include [REDACTED].<sup>161</sup>
53. A [REDACTED] report from [REDACTED]. [REDACTED].<sup>162</sup> [REDACTED]. FNZ submitted that [REDACTED]. We do not consider that this conflicts with our overall findings regarding competitive constraints from alternatives.
54. [REDACTED].<sup>163,164</sup>
55. [REDACTED].

### **GBST documents**

56. GBST Management Presentation [REDACTED].<sup>165</sup>
57. A GBST Strategy Presentation [REDACTED].
58. A 2019 GBST document [REDACTED]. [REDACTED].
59. A 2019 GBST presentation [REDACTED].<sup>166</sup>
60. A GBST [REDACTED].
61. [REDACTED].<sup>167</sup> [REDACTED].<sup>168</sup>
62. A 2019 email [REDACTED].<sup>169</sup> [REDACTED].
63. A 2018 presentation [REDACTED].
64. A 2018 GBST [REDACTED].
65. A 2019 GBST [REDACTED].

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<sup>160</sup> [REDACTED].  
<sup>161</sup> [REDACTED].  
<sup>162</sup> [REDACTED].  
<sup>163</sup> [REDACTED].  
<sup>164</sup> [REDACTED].  
<sup>165</sup> [REDACTED].  
<sup>166</sup> [REDACTED].  
<sup>167</sup> [REDACTED].  
<sup>168</sup> [REDACTED].  
<sup>169</sup> [REDACTED].

66. The GBST Evolve [REDACTED].

## **Constraint from in-house supply**

### ***FNZ documents***

67. A [REDACTED] FNZ Management presentation [REDACTED]. FNZ submitted that ‘this document was a presentation to a prospective investor’.

68. In a [REDACTED] response to [REDACTED],<sup>170</sup> [REDACTED].

69. A [REDACTED] report by [REDACTED].

70. A [REDACTED] report by [REDACTED].

71. A 2018 [REDACTED].

### ***GBST documents***

72. A 2017 GBST Strategy Presentation notes that [REDACTED].

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<sup>170</sup> [REDACTED]

# Appendix O: Product development

## Introduction

1. This Appendix sets out evidence on product development and GBST's Project Evolve, from the Parties and third parties.

### ***GBST views of Project Evolve***

2. GBST submitted that Project Evolve is a 'key update of the GBST Composer software and involves replacing the legacy technology with a modern, simplified technology.
3. GBST submitted that Project Evolve will be completed [REDACTED]. It stated that after the completion of the project, Composer will be a highly competitive product that is attractive for prospective customers.
4. Internal documents from GBST show that its [REDACTED] R&D spending on Project Evolve, together with [REDACTED]<sup>171</sup> [REDACTED].<sup>172</sup>
5. A GBST CEO Board Report from July 2017 states that Project Evolve [REDACTED]. But an internal document from December 2019 stated that [REDACTED].
6. A presentation dated May 2019 on GBST strategy states that [REDACTED].
7. The same document [REDACTED].
  - (a) [REDACTED]
  - (b) [REDACTED]
8. Another internal document [REDACTED].

### ***FNZ's views of GBST R&D***

9. FNZ stated that [REDACTED].
10. In relation to this, FNZ submitted that:
  - (a) [REDACTED];
  - (b) [REDACTED]; and

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<sup>171</sup> [REDACTED]

<sup>172</sup> [REDACTED]



- (c) The project [REDACTED].
11. FNZ supported this submission by providing the timing of different updates implemented at FNZ and GBST. FNZ stated that GBST's Evolve programme as well as other 'key platform functionality innovations' are [REDACTED], with particular reference to FNZ, Bravura, Avaloq, Pershing, SS&C, SEI, and Temenos.
  12. FNZ submitted that [REDACTED].
  13. FNZ further submitted that 'FNZ's view is that GBST's programme as constructed is [REDACTED].' In support, FNZ submitted that:
    - (a) 'FNZ understands that GBST has already [REDACTED].
    - (b) Other providers that undertook similar projects [REDACTED]; FNZ told us that: [REDACTED]; and
    - (c) FNZ believes that [REDACTED].

### **GBST views**

14. GBST disagreed with FNZ's view on Evolve and maintained that it would make GBST more competitive.
15. GBST responded to FNZ claims about the underlying code language of Composer [REDACTED] by stating that 'it is incorrect that GBST's underlying technology framework is only PowerBuilder. Most of Composer now uses Java, a more modern coding language. Moreover, since 2009 GBST has had an API layer that sits around Powerbuilder and has transformed the APIs from SOAP to Rest-based services (in 2018) to help increase the integration capability.'
16. FNZ told us that it was surprised by this as GBST had previously indicated to FNZ that [REDACTED] with FNZ referring to documentation that only the [REDACTED] October 2019.
17. In response to FNZ's claim that 'on-premise' model of Composer has been [REDACTED] by Cloud-based SaaS models, GBST stated that it 'does not only supply Composer "on-premise". Composer has been provided as a managed service hosted via Rackspace since March 2009, [REDACTED]. GBST therefore provides a SaaS. [...] Therefore, not all clients consume the software "on-premise".' FNZ noted that [REDACTED]. FNZ further noted that [REDACTED].
18. GBST added that 'through Project Evolve, GBST is changing the technology architecture of Composer to take advantage of new features available in

Cloud-enabled tech. GBST is also enhancing its APIs and making the tech platform architecture more microservices-based.'

19. FNZ told us that [REDACTED]. FNZ also noted that [REDACTED].
20. GBST also notes that [...] FNZ says that a benefit of the Transaction is integrating FNZ functionality alongside Composer, which indicates that FNZ knows Powerbuilder can effectively interface with third party solutions.
21. FNZ noted that [REDACTED].
22. GBST also responded to FNZ by stating that, 'in terms of other key developments amongst WMPs, GBST has [REDACTED]'. GBST provided examples about its user interface/digital portal, Composer APIs, model portfolio capabilities, and other 'product wrappers' not mentioned by FNZ.'
23. GBST further submitted that [REDACTED].
24. GBST also denied FNZ's claim that project Evolve is a [REDACTED]. It submitted that,
  - (a) [REDACTED].
  - (b) it is not high-risk as the programme is on track and being delivered in phases which are being consumed by clients. The project is more than 50% complete and has delivered the most complex components. This means the remaining deliveries are lower risk.

### ***Third party views***

25. Customers generally expressed positive views about Project Evolve.
  - (a) All customers that expressed views on Project Evolve stated that the programme is an essential modernisation programme required to update Composer to the current technological standards;
  - (b) Some third parties (three out of eight) stated that, in addition to being a 'catch-up programme', Project Evolve could generate some competitive advantages relative to other providers (eg flexible architecture and API capability).
26. Moreover, two customers highlighted GBST's ability to innovate and invest in R&D:
  - (a) [REDACTED] stated that 'R&D was an important part of the decision in selecting GBST' and it praised GBST's commitment 'to continually update the platform to comply with local regulation and make changes through

feedback from the GBST user groups ensures the platform continues to stay up to date and relevant in the UK market.'

(b) AJ Bell submitted that the provision of 'gateways into core system functionalities is key, and is the reason why both JHC [FNZ's subsidiary] and GBST are both heavily investing in API development.'

27. Some competitors also provided views on Project Evolve. All agreed that the programme aims to bring GBST technical architecture up to date with the rest of the industry.

(a) SS&C stated that Project Evolve 'would go a long way to closing the gap on Bravura Sonata and FNZ's capabilities.'

(b) Bravura stated that 'both Bravura and GBST are seen as handling innovation and regulatory development and releases well.'

(c) Equiniti stated that 'GBST has always invested heavily in R&D and this has long been respected in the marketplace.'

(d) Hubwise (which sees itself as one of the leading innovative firm in the market) stated that 'GBST has a poor reputation stemming from recent project delivery failures, and its software is nearing the end of its shelf life in the UK. We believe it would take years of investment to bring its software up to date, and in that period, other providers (like Hubwise) would have greatly widened the functionality and capability gap.'

(e) [REDACTED] (a consultancy) told us that 'GBST are behind in the market because its offering has lacked investment.'

### ***Extracts from FNZ's internal documents***

[REDACTED]

28. As part of an internal FNZ strategy presentation to its Board on the acquisition of GBST ([REDACTED]), FNZ noted, in its [REDACTED]. Further, it noted that [REDACTED].

29. FNZ went on to state that there would be a [REDACTED] and said that [REDACTED].

30. FNZ also [REDACTED].

[REDACTED]

31. FNZ draft slide deck in July 2019 contains [REDACTED]. This document was prepared when [REDACTED].

[REDACTED]

32. We have seen further evidence from FNZ's internal documents indicating [REDACTED]:

(a) FNZ board minutes from 21 June 2019 state that [REDACTED].

(b) An email from [REDACTED] on 23 June 2019 also states that [REDACTED].

(c) Internal FNZ emails from [REDACTED] on 24 June 2019 regarding the wording of the non-binding indicative offer letter which states [REDACTED].

(d) Email [REDACTED] and others on 23 July 2019 stating [REDACTED].

33. However, we also have evidence that FNZ intended to keep Composer technology:

(a) On 6 August 2019 [REDACTED] sent an email to [REDACTED].

(b) [REDACTED] sent a letter to [REDACTED] requesting that [REDACTED].

(c) In response, [REDACTED] wrote a letter which stated that: [REDACTED].

(d) On 23 October 2019 [REDACTED] wrote to [REDACTED].

# Appendix P: Third parties' views on the Merger

## Introduction

1. This Appendix provides third parties' views on the Merger.

## Third party views

2. Twelve of 26 customers that gave a view were opposed to the Merger.<sup>173</sup> 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. Specific comments included:
  - (a) 'This reduces the number of viable technology solutions with appropriate scale and technical capability for an [X] platform proposition from three to two';
  - (b) 'The options for retail investment platform solutions offering software or an outsourced solution, with the track record in the UK retail adviser platform market and capability to be viable alternatives for large scale platform businesses is [sic] very limited'. '[T]he merger would reduce the viable options further and risk over the medium to longer term decreasing competition in the marketplace.'
3. Three customers were unconcerned and said that the merger could result in more innovation or lower prices. Specific comments included:
  - (a) '[I]f the merger allows FNZ/GBST to operate at increased scale and share some of the benefits of that with their clients then this could be beneficial to consumers. It would allow platforms to share in reduced overall costs [...].'
  - (b) '[the Merger would] likely enhance consumers through lower pricing and higher R&D from the FNZ Group'.
4. Two customers expressed mixed views about the merger, which are set out below:
  - (a) One customer said that it sees a risk that [X]. On the other hand, it noted that 'the advantage of the merger is that FNZ has a background as a technology provider and would have the capabilities to push GBST

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<sup>173</sup> Out of a total of 36 responses. Nine customers gave a neutral response.

forward with the development of Composer (e.g. completion of the Evolve Programme).’

(b) Another customer noted that [redacted].

5. Two consultants out of the three that gave a view raised concerns about the Merger:<sup>174</sup>

(a) ‘Our view is that the proposed merger would significantly reduce choice, and thus competition, for software and servicing in the Investment Platform market. [redacted] has run many technology and servicing selection exercises for UK retail platforms and there is already a scarcity of credible suppliers for large organisations looking for stable, established partners to work with. Whilst there are some signs of new entrants winning small scale deals, it will be several years before any of these become credible suppliers to larger firms;’ and

(b) ‘I am concerned that the market will have been monopolised by a giant technology house like FNZ with little effective competition as suppliers would not have the scale and resource to compete... It would also stifle innovation. Every platform would essentially be backed by the same technology – it would be very vanilla. It would also mean that the investment platform market would effectively be controlled by one organisation with all the inherent risks that represents.’

6. The other consultant was unconcerned:

(a) ‘When considering the whole retail investments market, the merger would not appear to cause a competition issue, however there may be effects on GBST’s direct customers, it is not clear if this would be positive (better R&D investment etc) or negative (being railroaded into a full services offering).’

7. Four of five competitors that gave a view were opposed to the Merger.<sup>175</sup> Specific comments included:

(a) ‘We see the acquisition of GBST by FNZ as making it significantly more difficult to compete in the UK Platform market’;

(b) ‘We are concerned that the merger of these two already dominant firms will mean that many more clients and prospects will have some

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<sup>174</sup> Two further consultants gave neutral or no responses.

<sup>175</sup> Out of a total of eight responses from competitors. The remaining three competitors providing neutral or no responses.

embedded FNZ / GBST components in their operation. The merged entity will be able to use this “inside” knowledge to create bundled pricing, cross-subsidies and create barriers to third parties being able to integrate their components into the clients operations’; and

- (c) ‘With the FNZ dominance in the marketplace, it is already difficult to compete. If FNZ extends their customer base and offerings it will invariably lead to [✂] re-evaluating our UK strategy for investment/wealth propositions.’

8. One competitor was unconcerned:

- (a) ‘We don’t consider that this merger would have any negative impact on our business whatsoever. It removes a competitor, albeit one we wouldn’t consider as a serious threat, especially given GBST has never established a foothold in the UK retail platform market.’