

Completed acquisition by Sony Music Entertainment of all of the issued shares of the entities comprising the AWAL and the Kobalt Neighbouring Rights businesses from Kobalt Music Group Limited

Decision to refer

ME/6936-21

Introduction

1. On 18 May 2021, Sony Music Entertainment (**SME**), a subsidiary of Sony Group Corporation (**Sony**), acquired all of the issued shares of entities comprising the AWAL business¹ (**AWAL**) and the Kobalt Neighbouring Rights business² (**KNR**) from Kobalt Music Group Limited (the **Merger**).
2. On 7 September 2021, the Competition and Markets Authority (**CMA**) decided under section 22(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger constitutes a relevant merger situation that has resulted or may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**).³
3. On the date of the SLC Decision, the CMA gave notice pursuant to section 34ZA(1)(b) of the Act to Sony of the SLC Decision. However, in order to allow Sony the opportunity to offer undertakings to the CMA for the purposes of section 73(2) of the Act, the CMA did not refer the Merger for a phase 2 investigation pursuant to section 22(3)(b) on the date of the SLC Decision. On 7 September 2021, the CMA extended the statutory four-month-period mentioned in section 24(1) of the Act by notice pursuant to section 25(4) of the Act.

¹ The AWAL business comprises AWAL Digital Limited, AWAL Recordings Licensing Ltd, AWAL Recordings Ltd, AWAL Recordings America, Inc., AWAL Recordings Licensing America, Inc. and In2une Inc.

² The Kobalt Neighbouring Rights business comprises Kobalt Neighbouring Rights Limited, Kobalt Neighbouring Rights II Limited, Kobalt Music Netherlands Artists B.V. and Kobalt Music Netherlands OH Records B.V.

³ See [Sony Music Entertainment / AWAL and Kobalt Neighbouring Rights businesses merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/sony-music-entertainment-awal-and-kobalt-neighbouring-rights-businesses-merger-inquiry).

4. Pursuant to section 73A(1) of the Act, if a party wishes to offer undertakings for the purposes of section 73(2) of the Act, it must do so before the end of the five working day period specified in section 73A(1)(a) of the Act. The SLC Decision stated that the CMA would refer the Merger for a phase 2 investigation pursuant to section 22(1), and in accordance with section 34ZA(2) of the Act, if no undertakings for the purposes of section 73(2) of the Act were offered to the CMA by the end of this period (ie by 14 September 2021); if Sony indicated before this deadline that Sony did not wish to offer such undertakings; or if the undertakings offered were not accepted.
5. On 10 September 2021, Sony informed the CMA that it would not offer such undertakings to the CMA. Accordingly, pursuant to section 25(5)(b) of the Act the extension to the four-month period mentioned in section 24(1) of the Act ends on 24 September 2021.

Decision

6. Therefore, pursuant to section 22(1) and in accordance with section 34ZA(2) of the Act, the CMA has decided to refer the Merger to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 to conduct a phase 2 investigation.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
16 September 2021