

SUMMARY

Introduction

1. On 29 November 2020, S&P Global Inc. (**S&P**) agreed to acquire IHS Markit Ltd. (**IHSM**) (the **Merger**). S&P and IHSM are together referred to as the **Parties**, or for statements referring to the future, the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of S&P and IHSM is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

Competition assessment

3. Both Parties have a broad range of activities across the financial services sector. For the most part, the Parties' activities are complementary in nature or, where both are active, their combined presence is modest. The CMA's investigation therefore focussed in a relatively small number of product areas in which there were more significant overlaps in the Parties' activities or where the Merged Entity might be able to use its control of certain inputs to harm rivals who use those inputs in downstream or adjacent markets.

Horizontal unilateral effects

4. The CMA considered the impact of the Merger in relation to the Parties' overlapping activities in the supply of (i) commodity price assessments, (ii) market intelligence, and (iii) financial indices.

Commodity price assessments

5. Commodity price assessments are a view of the prevailing market price for a specific commodity and can be used for different purposes:
 - (a) **Benchmark price assessments:** used in bilateral contracts (eg for settling physical trades) and/or derivatives contracts (eg option or future contracts) in a relevant market.

- (b) **Non-benchmark price assessments:** any commodity price assessment that is not a benchmark price assessment (typically used to verify the accuracy of the benchmark price assessments, and/or as a simple reference point for assessing a commodity's price).
6. The Parties overlap in the supply of commodity price assessments for a range of commodities, including biofuels, coal, oil and petrochemicals.
 7. On 13 September 2021, the Parties indicated that they believed that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) arising from horizontal unilateral effects in the supply of biofuel, coal, and oil price assessments in the UK. On that basis, the Parties agreed to waive their normal procedural rights, including their right to an issues meeting and a discussion at a case review meeting, in relation to these price assessments.
 8. In relation to petrochemical price assessments, where S&P is active through Platts and IHSM is active through its Oil, Midstream, Downstream and Chemicals division (**OMDC**) and PetroChemWire (**PCW**) business, the CMA found that the Parties would have a high combined share of supply within an already concentrated market. Notwithstanding some differences in the Parties' product offerings, the evidence available to the CMA (including evidence on product functionality and use, the Parties' internal documents and third-party views) consistently showed that there is significant competitive interaction between them at present. The Merger would increase the level of concentration in an already concentrated market, with the Parties facing a significant competitive constraint from only one other provider post-Merger. The CMA found that the other providers active in the market would only pose a limited constraint on the Merged Entity's petrochemical offerings post-Merger. On this basis, the CMA found that the Merger raises a realistic prospect of an SLC arising from horizontal unilateral effects in the supply of petrochemical price assessments in the UK.

Market intelligence products

9. Market intelligence broadly refers to the supply of:
 - (a) information and data (eg financial, company, and industry-specific information);

- (b) analytical tools and charting (eg custom desktop applications, portfolio monitoring, and charting capabilities);
 - (c) long term and short-term price forecasting;
 - (d) breaking news and market alerts; and
 - (e) in-depth research across a range of sectors, industries, and companies.
10. The Parties offer market intelligence products and services across a range of sectors and overlap in several of these. On the basis of shares of supply and third-party evidence, the CMA prioritised the following market segments for investigations:
- (a) **Downstream energy market intelligence.** Information, data and analytics on the refining, transportation, marketing, and trading of fossil fuels and associated refined products.
 - (b) **Maritime and trade analytics.** Products that track and analyse trade flows between ports, countries, and continents.
11. In downstream energy market intelligence, S&P is active through Platts and IHSM is active through OMDC and its Climate and Sustainability Group (**CSG**). The Parties supply downstream energy market intelligence products within a range of subsegments (eg oil, gas, coal and liquified natural gas (**LNG**), market intelligence). The CMA found that the Parties have a significant share of supply, although only a moderate increment in share is brought about as a result of the Merger. Notwithstanding some differences in the Parties' offerings (such as S&P's focus on short-term views and IHSM's focus on long-term views), evidence from the Parties' internal documents and third-party evidence indicates that the Parties compete relatively closely. However, the CMA found that the Merged Entity will continue to face strong competition from a number of rivals, including some with a broad offering across a range of subsegments, and others with a narrower offering focused on specific downstream energy subsegments. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to supply of downstream energy market intelligence in the UK.
12. In maritime and trade analytics market intelligence, where S&P is active through Panjiva and IHSM is active through PIERS, the CMA found that the

Parties have a significant share of supply, although only a moderate increment in share is brought about as a result of the Merger, and serve similar types of customers. The Parties' internal documents also suggest that they consider each other to be within their main competitors for these products. However, the CMA also found that IHSM's share of supply has been declining over the last three years, while other competitors have grown their share. Submissions from third parties and the Parties' internal documents suggest that, Post-Merger, the Merged Entity will continue to face strong competition from two other large providers, as well as from several smaller players. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of maritime and trade market intelligence in the UK.

Financial indices

13. The CMA assessed the impact of the Merger on current and potential competition between the Parties' overlapping index products. Indices are weighted averages that measure changes in the value of a group of underlying financial instruments for the purposes of creating a standard measure of performance.
14. Based on the available evidence, the CMA found that the Parties are not close competitors and do not exert a significant competitive constraint on each other. In particular, the vast majority of S&P's offering is in equity indices, whereas IHSM's offering is primarily in fixed-income indices. The CMA found only two categories (as defined by Morningstar data) in which the Parties had a seemingly high combined share of supply—natural resources equity indices and leveraged loan fixed-income indices—but found that, in relation to the first, the Parties offered different and complementary products and, in relation to the second, the category was too narrow to represent a plausible market. The CMA also found no evidence to suggest that IHSM had plans to start offering equity indices, or that S&P had plans to start offering fixed-income indices. Finally, the CMA found that the Parties would continue to face a range of credible competitors post-Merger. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of financial indices in the UK.

Vertical effects

15. The CMA also considered whether the Merger may be expected to result in the foreclosure of rivals as a result of vertical effects. The CMA assessed whether the Merged Entity could use its control of certain inputs to harm rivals who use those inputs, such as by refusing to supply these inputs or by worsening their terms of supply.

Input foreclosure of fixed-income indices providers using credit rating

16. S&P is a provider of credit ratings. Credit ratings are an input to the construction of fixed-income indices. They are a form of reference data to establish whether a security should be considered to be investment-grade or high-yield, which are denominations that reflect certain aspects of the quality and risk profile of the rated security.
17. As set out above, IHSM and, to a lesser extent, S&P are providers of fixed-income indices.
18. The CMA investigated whether the Merged Entity would have the ability and incentive to use its credit ratings to foreclose fixed-income indices rivals. Based on the available evidence, the CMA found that the Merged Entity would lack the incentive to do so. This is because (i) rival fixed-income indices providers can use alternatives to S&P's credit ratings, (ii) attempting to foreclose large fixed-income indices providers would materially increase the risk of customers and competitors switching to rival credit rating agencies (threatening a considerable S&P income stream), and (iii) attempting to foreclose smaller rivals would result in S&P receiving a low share of any diverted sales, given its modest downstream position in fixed-income indices. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the provision of fixed-income indices in the UK.

Input foreclosure of bond issuance platforms using CUSIPs

19. S&P manages and operates the CUSIP system as an autonomous and independent business within S&P on behalf of the American Banker Association (the **ABA**). CUSIPs are standard identifiers for securities, including equity and fixed-income instruments. They are often assigned prior to a bond issuance being formally completed. The ABA has concluded a long-

term agreement with S&P to set out how the CUSIP system will be managed (the **ABA agreement**). Based on third-party feedback, the CMA found that CUSIPs are an integral part of the primary bond issuance process.

20. IHSM provides leading issuance platforms that facilitate different aspects of the issuance of equity and fixed-income assets. It offers three categories of issuance platforms, including for municipal bonds, fixed-income book building, and equity book building.
21. The CMA investigated whether the Merged Entity would have the ability and incentive to use S&P's position as manager and operator of CUSIPs to foreclose IHSM's bond issuance platform rivals. Based on the available evidence, the CMA found that the Merged Entity would lack the ability to do so. First, it is not clear that S&P would be able to distinguish between CUSIP customers using IHSM's bond issuance platform from those using rival platforms. Second, the CMA understands that the ABA agreement precludes S&P from engaging in any kind of foreclosure strategy. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to bond issuance platforms in the UK.

Input foreclosure of leveraged loan market intelligence products using LXIDs

22. IHSM generates and distributes LXIDs, which are random alphanumeric codes generated as part of IHSM's loan pricing and reference data used to identify specific loans.
23. S&P is active in leveraged loan market intelligence (**LLMI**) through its Loan Commentary and Data (**LCD**) product. LCD is a subscription-based product providing news, commentary, and research on the leveraged loan market. LXIDs are used as an input to certain components of some leveraged loan market intelligence products.
24. The CMA investigated whether the Merged Entity would have the ability and incentive to use IHSM's position in loan identifiers to foreclose S&P's LLMI rivals. Based on the available evidence, the CMA considered that the Merged Entity would lack the ability to do so. In particular, in light of the evidence that third parties provided to the CMA, the CMA found that LXIDs are not an important input for the provision of LLMI products. Several highly competitive products in this space use alternative identifiers or none at all (including S&P's LCD, which does not use LXIDs). The CMA also found that the few

LLMI products that use LXIDs do so only for a small part of their product offering, and for the benefit of relatively few customers. UK customers of LCD told the CMA that they do not use LXIDs in connection with LCD. These customers told the CMA that they relied on alternative methods for searching and using LLMI content, including borrower names or alternative identifiers. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the supply of LLMI in the UK.

Conglomerate effects

25. Finally, the CMA considered whether the Merger may be expected to result in the foreclosure of S&P's desktop solutions rivals as a result of bundling IHSM's bond issuance platform with S&P's desktop solution, Capital IQ (**CapIQ**). As set out above, IHSM has leading issuance platforms. S&P offers CapIQ, which is a comprehensive, aggregated desktop solution that offers proprietary and third-party data across multiple product areas in which S&P is active.
26. Based on the available evidence, the CMA found that an integration of IHSM's issuance platform and CapIQ would not foreclose rival desktop providers. This is because (i) banks already multi-source market intelligence platforms (and this potential bundling strategy would not influence their purchasing patterns), (ii) there is already significant customer overlap between IHSM's issuance platform customers and CapIQ customers (limiting the potential of this bundling strategy to leverage into new customers), and (iii) the Parties have broader commercial relationships with investment banks that could be affected by this bundling strategy, further limiting their incentive to engage in this conduct. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of conglomerate effects in relation to desktop solutions in the UK.

Decision

27. The CMA therefore believes that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the following products:
 - (a) The supply of biofuels price assessments in the UK;

- (b) The supply of coal price assessments in the UK;
- (c) The supply of oil price assessments in the UK; and
- (d) The supply of petrochemicals price assessments in the UK.

28. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). The Parties have until 26 October 2021 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.