

**ANTICIPATED ACQUISITION BY
LONDON STOCK EXCHANGE GROUP PLC
OF
QUANTILE GROUP LIMITED**

■■■■■■■■■■ RESPONSE TO THE CMA'S ISSUES STATEMENT

1. On 16 June 2022 the CMA published its Issues Statement in relation to the anticipated acquisition by London Stock Exchange Group PLC (LSEG) of Quantile Group Limited (Quantile). This paper sets out ■■■■■■■■■■ response to the Issues Statement.
2. ■■■■■■■■■■ welcomes the CMA's decision to refer the anticipated acquisition of Quantile to an in-depth Phase 2 investigation. ■■■■■■■■■■ supports the CMA's approach to assessing whether the merger will give rise to a Significant Lessening of Competition (SLC) in relation to multilateral compression for OTC IRDs in the UK as set out in the Issues Statement.
3. In particular, ■■■■■■■■■■ welcomes the CMA's approach to assessing the foreclosure theory of harm by reference to the merged entity's ability and incentive to engage in a foreclosure strategy and the effect such a strategy would have. In this connection, ■■■■■■■■■■ considers that:
 - (a) LCH clearly has both the ability and incentive to foreclose rivals to Quantile given its significant market power in the provision of clearing services for OTC IRDs. Switching clearing houses is not an option for customers given the strong network effects in the provision of clearing services.
 - (b) LCH has full discretion in granting Approved Compression Service Provider (ACSP) status, without which it is impossible for compression providers to compress trades cleared at LCH. This provides LCH with a clear mechanism for engaging in foreclosure, whether by refusing to grant ACSP status to rival providers, or through setting unfavourable commercial terms for ACSP providers.

- (c) There are a range of other foreclosure mechanisms open to LCH, including (but not limited to) providing Quantile with preferential access to data, scheduling compression runs to the benefit of Quantile, or placing technical restrictions on rival providers.
 - (d) LCH has an incentive to engage in foreclosure strategies as any such strategies would have a very limited or no impact on LCH's clearing business, as customers are unable to move OTC IRD trades to other clearing houses.
 - (e) There is no reputational risk to LCH or risk of retaliation from customers if LCH engages in a foreclosure strategy as many of the foreclosure mechanisms available to LCH would not be visible to LCH's customers, but would instead be seen as an improvement in Quantile's service relative to that of its competitors.
 - (f) Given the importance of LCH in the provision of clearing services for OTC IRDs and the importance of OTC IRDs to compression services, any foreclosure strategy would have the effect of forcing rivals out of the compression market and raising barriers to entry. In the long term this will inevitably lead to a reduction in competition and as a result higher prices and reduced innovation.
4. Moreover, [REDACTED] is not aware of any countervailing factors or relevant customer benefits that could prevent or offset any SLC that will arise as a result of the merger.

29 June 2022