

London Stock Exchange Group Plc / Quantile Group Limited final report

Appendices

Appendix A: Terms of reference and conduct of the inquiry

Glossary

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Terms of reference


1. In exercise of its duty under section 33(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) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, in that:
 - (i) enterprises carried on by London Stock Exchange Group plc will cease to be distinct from enterprises carried on by Quantile Group Limited; and
 - (ii) the condition specified in section 23(2)(b) of the Act is satisfied; and
 - (b) the creation of that situation 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 in the provision of multilateral compression services for over-the-counter interest rate derivatives in the United Kingdom.
2. Therefore, in exercise of its duty under section 33(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 1 November 2022,¹ on the following questions in accordance with section 36(1) of the Act:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
 - (b) if so, whether the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.

David Stewart
Executive Director, Markets and Mergers
Competition and Markets Authority
17 May 2022

¹ Correction: The period for the group to investigate and report ends on 31 October 2022.

Conduct of the inquiry

1. On 17 May 2022, the CMA [referred](#) the anticipated acquisition by London Stock Exchange Group plc (**LSEG**) of Quantile Group Limited (**Quantile**) (together **the Parties**) for an in-depth Phase 2 inquiry.
2. We published the biographies of the members of the Inquiry Group conducting the inquiry on the inquiry [webpage](#) on 17 May 2022 and the relevant administrative timetable was published on the inquiry [webpage](#) on 31 May 2022, and subsequently updated on 30 June 2022.
3. We invited interested parties to comment on the anticipated acquisition. We sent detailed requests for information to the Parties' competitors and customers, and a number of these also provided us with further information by video conference calls as well as by responding to supplementary written questions. We received written responses from over 20 customers, accounting for around [70-80%] of TriOptima's revenues from multilateral compression.² We conducted interviews with 16 customers, competitors and other interested parties, of the Parties via MS Teams. We also spoke with the relevant industry regulators. Evidence submitted to the CMA during Phase 1 was also considered in Phase 2.
4. We received written evidence from the Parties in the form of submissions and responses to information requests. A non-confidential version of the Parties' initial submission was published on the inquiry [webpage](#) on 16 June 2022.
5. On 16 June 2022, the CMA published an [Issues Statement](#) on the inquiry [webpage](#) setting out the areas on which the Phase 2 inquiry would focus. A non-confidential version of the Parties' response, along with other third party responses, was published on the inquiry [webpage](#) on 21 July 2022.
6. On 20 June 2022, Members of the Inquiry Group and CMA staff attended a 'site visit' with LSEG and Quantile and their advisers. The Site visit was held at LSEG's Head Office in London.
7. During our inquiry, we sent the Parties a number of working papers for comment. We also provided the Parties and third parties with extracts from our working papers for comments on accuracy and confidentiality. The Parties were also sent an annotated issues statement, which outlined our emerging thinking to date prior to their respective main party hearings, which were held on 17 August 2022.

² CMA analysis of customer responses to the CMA questionnaire and TriOptima's customer list ([]).

8. On 9 September 2022, we published a summary of our provisional findings report and a notice of provisional findings on the inquiry [webpage](#). Later the same day we published a non-confidential version of our provisional findings report.
9. On 12 and 13 October 2022, non-confidential versions of responses to the provisional findings were published on the inquiry [webpage](#).
10. A non-confidential version of the final report has been published on the inquiry [webpage](#).
11. We would like to thank all those who have assisted in our inquiry.

Glossary of terms

ACSP	Approved Compression Service Provider.
the Act	The Enterprise Act 2002.
AFM	Autoriteit Financiële Markten, the Dutch Authority for the Financial Markets.
ASX	ASX Ltd, Australian Securities Exchange.
Basel III	The Basel III accord .
BCBS	the Basel Committee on Banking Supervision .
Capitalab	Capitalab, a multilateral compression service provider, is a division of BGC Brokers L.P.
Capitolis (LMRKTS)	Capitolis Inc. Capitolis acquired LMRKTS, a multilateral compression service provider, in August 2021.
CCP	Central Counterparty.
CEM	Current exposure method.
CEO	Chief Executive Officer.
ClearCompress	ClearCompress is a provider of multilateral compression services, owned by TP ICAP plc.
CMA	Competition and Markets Authority.
CME	CME Group Inc.
D2D	Dealer-to-Dealer.
D2C	Dealer-to-Client.
Dutch Central Bank	De Nederlandsche Bank.
EMIR	The European Market Infrastructure Regulation – now UK EMIR .
EUR	Euro.
Eurex	Eurex Frankfurt AG.

FCA	Financial Conduct Authority.
FX	Foreign Exchange Derivatives.
GBP	UK Pound.
G-SIB	Global Systemically Important Bank.
iNED	Independent Non-Executive Director.
IRD	Interest Rate Derivative.
Inquiry Group	Group of CMA panel members.
JPY	Japanese Yen.
JSCC	Japan Securities Clearing Corp.
LCH	LCH Ltd
LCH Group	LCH Group Holdings Ltd.
LSEG	London Stock Exchange Group plc.
Merged Entity	The post-Merger business of LSEG and Quantile .
the Merger	The anticipated acquisition of Quantile by LSEG .
MiFIR	The Markets in Financial Instruments Regulation 2018.
Multilateral Compression	Multilateral compression is Portfolio Compression carried out across the portfolio held by multiple market participants (this service is usually offered by a third-party rather than a CCP, and typically takes place less frequently than Unilateral Compression).
Nasdaq Clearing	Nasdaq, Inc.
OSTTRA	OSTTRA Group, a joint venture between IHSM's OTC derivatives and FX trade processing business (ie, MarkitSERV) and CME's optimisation businesses (ie, TriOptima , Reset and Traiana), TriOptima offers a multilateral compression service.
OTC	Over-the-counter.
OTCD	OTCDerivnet.

OTC Hong Kong	OTC Clearing Hong Kong Ltd.
Parties	LSEG and Quantile [and their subsidiaries].
Portfolio Compression	A risk-management technique by which market participants replace multiple offsetting derivative contracts with fewer deals of the same net risk to reduce the notional value of their portfolio. Only the trades that share economically compatible characteristics and that can be ‘netted off’ against each other are compressible. The trades need at least to be in the same currency and use the same benchmark (floating rate option). Furthermore, the trades need to be with the same CCP . There is a benefit for market participants in using compression services as regulatory capital requirements depend on the notional value of a portfolio.
Quantile	Quantile Group Limited.
RMS	Relevant merger situation.
SCC	SwapClear Consultative Committee.
SLC	Substantial Lessening of Competition.
TriOptima	One of the trading names of OSTTRA . TriOptima offers a multilateral compression service. References within the Provisional Findings Report to TriOptima and OSTTRA are listed as ‘ TriOptima ’ for ease of reference.
SwapClear	LCH Ltd ’s OTC interest rate swap clearing house.
UK	United Kingdom.
Unilateral Compression	Unilateral Compression is Portfolio Compression carried out between a single market participant and a CCP (this service is offered by a CCP and usually takes place on a daily basis).
USD	US Dollar.
UMR	Uncleared margin rule.