

OFFICE FOR COMPETITION

28 September, 2011

Comp-MCCAA/44/11 – The Western Union Company/Travelex Holdings Limited

Decision on acquisition in terms of regulation 6 (1)(ii) of the Control of Concentrations Regulations (LN 294 of 2002 as subsequently amended)

The Office for Competition,

Having considered the notification of 17 August, 2011 pursuant to regulation 5 of the Control of Concentrations Regulations,

Having considered the provisions of the Control of Concentrations Regulations,

Whereas,

A. FACTS

1. On 17 August, 2011, The Western Union Company (hereinafter referred to as 'Western Union' or 'Notifying Party') notified the Office for Competition with a Sales and Purchase Agreement of the 5 July 2011, whereby Western Union, will acquire control of the shares and assets representing Travelex Global Business Payments (hereinafter referred to as 'TGBP'), a division of Travelex Holdings Limited.
2. The filing and the acceptance of such notification was notified to the public through a public notice in a local newspaper on 15 September, 2011 and in the Government Gazette number 18,807 on 16 September, 2011.

B. PARTIES

3. Western Union is a company incorporated in Delaware and listed on the New York Stock Exchange, having its registered office at 12500 East Belford Avenue, Englewood, Colorado 80112, United States. Western Union is active in the following two main business areas:

- i. Consumer to Consumer: this comprises money transfer services between consumers, primarily through a global network of third-party agents; and
 - ii. Global Business: this comprises the processing of payments from consumers or businesses to other businesses.

4. Western Union has a number of subsidiaries across the globe and provides its services either through these subsidiaries or through its worldwide network of agents. With the exception of a very insignificant amount, all of Western Union's Maltese revenues related to its consumer foreign payment services.

5. TGBP, which is a division of Travelex Holdings, is headquartered at 65 Kingsway, London, WC2B 6TD, United Kingdom. The Travelex Group operates through subsidiaries and branches in four regions: United Kingdom; Europe, Middle East, India and Africa (EMEA); Americas and Asia Pacific. The vast majority of TGBP revenues generated in Malta were derived from its core business of providing foreign payment services to businesses. TGBP also generated a limited amount of revenues in Malta from its consumer foreign payment services.

C. NOTIFIABLE CONCENTRATION

6. Regulation 2(d) (ii) refers to the acquisition by one or more undertakings or by one or more persons already controlling at least one undertaking, whether by purchase of securities or assets, by contract or by any other means, of direct or indirect control of the whole or parts of one or more undertakings.

7. The notified operation is a concentration within the meaning of regulation 2 (d) (ii) of the Regulations on the Control of Concentrations, whereby Western Union acquires sole control of TGBP, a division of Travelex Holdings Limited.

D. THRESHOLD FOR NOTIFICATION

8. The aggregate turnover of the undertakings concerned in the preceding financial year exceeds 2.33 million Euro and each of the parties concerned had a turnover in Malta equivalent to at least ten percent of the combined aggregate turnover of the undertakings concerned.
9. The notified concentration, therefore, meets the notification threshold as set out in regulation 2(d) of the Regulations.

E. THIRD PARTY OBJECTIONS

10. The Office received one objection to the proposed acquisition. A concern was raised with regard to foreign exchange services provided to the consumer, especially in those locations which are popular with tourists, such as Bugibba, Valletta and Sliema. It was submitted that where pre-acquisition the undertakings concerned competed on exchange rates, post acquisition, this would no longer subsist, reducing options for consumers, especially in view of the fact that banks do not offer foreign exchange services in the evenings.
11. The Notifying Party submits that while Travelex offers a foreign currency exchange service in Malta, Western Union does not. Western Union has no direct presence in Malta, but its agents offering the Western Union money transfer service might also offer foreign currency exchange services. However, these foreign currency exchange services are offered entirely independently of the agents' relationship with Western Union and will continue to be offered independently post-transaction, apart from the foreign currency exchange service offered by Travelex. In short, there is no overlap between Western Union and Travelex in relation to foreign currency exchange services in Malta.
12. Travelex operates from a single location in Malta which is Sliema. Travelex does not have any presence in Bugibba or Valletta. Travelex and Western Union agents are not the main service providers available to tourists outside banking hours. There are in fact HSBC and Mediterranean Bank branches in Sliema which, based on the respective service providers' websites, according to the Notifying Party, remain open longer in the evening than Western Union's agents and Travelex. Additionally, money transfer services are also offered by

FIMBank and W.J. Coppini (agents for MoneyGram International), which are also based in Sliema.

F. The Relevant Market

13. The undertakings concerned are involved in the foreign payment services market which includes transfers to and from foreign countries and sale and purchase of foreign currencies¹.
14. Western Union's consumer to consumer money transfer services are made primarily through a global network of third-party agents using Western Union's multi-currency, real-time money transfer processing systems. In a typical consumer-to-consumer money transfer transaction, a consumer delivers the principal amount of the money (mostly in cash) and fee to an agent which in turn makes the funds available for payment to the recipient in the designated receiving country through a centralised money transfer system.
15. TGBP Online Direct Foreign Exchange (DFX) consumer money transfer services are conducted through a local platform (Paykit). Once instructions are received from the client (email / phone / fax), payments can be made by Travelex Financial Services Malta Ltd on behalf of its clients via wire transfer to banks or by Travelex local or FX cheques. All transactions for DFX clients are either settled via bank transfer or local cheques; cash and credit cards are not accepted.
16. TGBP's initiation and management of outgoing and in-coming foreign business payments is conducted through an Internet platform (GlobalPay) or over the telephone. Once instructions are received from the client, payments can be made by TGBP on behalf of its clients via local clearing houses, wire transfers to banks, or by draft. TGBP operates a proprietary system called GEO Global Clearing Network that routes payments through the most efficient and appropriate settlement channel.

¹ Case No COMP/M.4844 Fortis/ABN AMRO ASSETS at paragraph 23.

17. The Notifying Party considers that the market can be defined broadly as the provision of banking services. It submits, however, that the European Commission typically in banking cases initially distinguishes between banking services offered to individual consumers and banking services offered to businesses. In Fortis/ABN Amro Assets, the Commission observed that as in previous decisions it had held that banking services can be divided into three main segments, (i) retail banking (products supplied to private individuals), (ii) corporate banking (with separate markets for small and medium-sized customers and large corporate customers) and (iii) financial market services². Furthermore, within the defined relevant product market for corporate clients, according to the function of the product, distinct relevant product markets for (a) domestic payment services, (b) foreign payment services, (c) cash management services, (d) loans and (e) savings were defined³.
18. The Notifying Party submitted that it is active in Malta almost exclusively in the provision of foreign payment services to consumers while TGBP is also active in Malta in the provision of foreign payment services, albeit, almost exclusively to businesses. Applying the European Commission's conclusions in Fortis/ABN Amro Assets, by way of analogy, the Notifying Party, has also assessed the parties position in the segment for the provision of foreign payment services to individual consumers.
19. The Office considers that since the parties to this transaction are active in the provision of consumer foreign payment services and business foreign payment services, there may be scope, therefore, for further sub-division of the general market for the provision of foreign payment services to consumers and to businesses.
20. The Office considers, however, that for the purpose of the present analysis the exact determination of the relevant product market can be left open because the operation does not lead to competition concerns even on the most narrowly defined market.
21. The relevant geographic market in this case is national in scope comprising the territory of Malta.

² Op cit. at paragraph 12.

³ Ibid at paragraph 26.

G. ASSESSMENT

22. For the purposes of this assessment and in line with Section 6 (iii)(a) of the Concentration Notification Form annexed to the Regulations on the Control of Concentrations, affected markets includes relevant product markets where, in the Maltese territory or a relevant part thereof two or more of the parties to a concentration are engaged in business activities in the same product market and where the concentration will lead to a combined market share of 15% or more.

23. Competition in the foreign payment services market comes from banks, other financial institutions and money transfer service providers. Money transfer for the Notifying Party is performed by a number of agencies in Malta comprising pharmacies, travel agencies and retailers.

24. The combined market share resulting from the transaction would be less than 15% both where the relevant market is considered to be the provision of foreign payment services in general and where, due to the limited presence of TGBP in a narrower market for the provision of consumer foreign payment services, the relevant market is considered to be the provision of consumer foreign payment services.

25. In view of the minimal competitive overlap and the results of the market investigation which has shown no indication of competition concerns if all alternative market definitions are considered, it can be concluded that the notified concentration will not substantially lessen competition.

DECISION

26. For the above mentioned reasons and in terms of regulation 6 (1)(ii) of the Regulations on Control of Concentrations, it is therefore decided:

- (1) that the Concentration falls within the scope of the Regulations on Control of Concentrations;
- (2) that the Concentration does not raise serious doubts as to its lawfulness;
- (3) not to oppose the notified Concentration and to declare it a lawful Concentration.

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