Australian Competition & Consumer Commission

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NEWS RELEASE

ACCC TO NOT OPPOSE PERPETUAL'S PROPOSED ACQUISITION OF THE TRUST COMPANY SUBJECT TO DIVESTITURE REMEDY

The Australian Competition and Consumer Commission will not oppose the proposed acquisition of The Trust Company Limited (The Trust Company) by Perpetual Limited (Perpetual).

In reaching this position, the ACCC has accepted a court enforceable undertaking from Perpetual to divest The Trust Company's existing ownership of a 13.4 per cent shareholding in competitor Equity Trustees Limited.

Perpetual and The Trust Company are both financial services companies that provide trustee and related services, as well as investment and wealth management advice to corporate and private clients.

"After a thorough investigation, and subject to the undertaking to divest the shareholding in Equity Trustees, the ACCC's view is that this acquisition is unlikely to lead to a substantial lessening of competition in any relevant market," ACCC Chairman Rod Sims said. "The nature of this industry means that there is debate over the best way to measure market shares. In particular, the use of 'funds under management' does not produce reliable estimates of market shares; it reflects the size of the underlying transactions and the clients being served by the trust service provider, not fee revenue earned or some other more reliable measure of market share.

"Further, publicly available estimates of market share do not differentiate between the different types of trust services, but our inquiries confirmed that the positions of the various competitors vary considerably by service type. Nevertheless, the ACCC considers that a merged Perpetual and The Trust Company will be the largest provider of trust services in Australia."

"However, irrespective of its market position, the ACCC considers the merged entity will be constrained by continued competition from other existing suppliers, the threat of entry by new competitors and/or expansion in the offering of existing competitors and the countervailing power of many corporate customers, who are able to provide some of the relevant services in-house or sponsor new entry if they are unhappy with price or service levels."

"Since releasing a Statement of Issues on 1 August 2013, the ACCC has engaged in extensive market inquiries to obtain further information, including contacting a large number of customers of trust services. The vast majority of those customers expressed no concerns about the proposed acquisition," Mr Sims said.

The ACCC has accepted a court enforceable undertaking, which will require Perpetual to divest Trust Company's entire shareholding in Equity Trustees within a confidential specified time period.

The undertaking addresses the ACCC's concerns about the competition effects of Perpetual obtaining a shareholding in an important competitor, including any effect on Perpetual's incentives to compete vigorously in providing trust services.

The ACCC will issue a public competition assessment in due course.

Further information, including the undertaking, is available on the ACCC's Mergers register.

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