COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case no.: 106/LM/Nov05

In the large merger between:

Liberty Group Limited

And

Investec Employee Benefits Limited

Reasons

Introduction

1. On 25 January 2005 the Competition Tribunal approved the merger between Liberty Group Limited and the Investment only business of Investec Employee Benefits (Pty) Ltd. The reasons are set out below.

The transaction

2. This transaction follows on a related transaction, which the Tribunal had approved on 5 August 2003.[1] In that transaction Liberty acquired Investec Employee Benefits' business of marketing, underwriting and administering group retirement fund products, excluding individual assurance and investment products and annuities.

3. The current transaction gives effect to the acquisition of the Investment Only Business of Investec Employee Benefits Ltd ("IEB") by Liberty Group Ltd.

4. Liberty Group Ltd, the acquiring firm, is a public company listed in the life assurance sector on the JSE Securities Exchange of South Africa. Its controlling shareholder is Standard Bank Group Ltd.

5. IEB is a long-term insurer registered as such in terms of the Long-term Insurance Act No 52 of 1998, as amended. IEB is a wholly owned subsidiary of Investec Employees Benefits Holdings Ltd.

Rationale for the transaction

6. According to Liberty the exclusion of the Investment Only business from the original transaction in 2003 has led to complications in that

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[1] Tribunal Case No: 32/LM/Jun03.

both IEB and Liberty are left with policies in the same investment portfolios. In order to avoid them from having to retain portfolio alignment into the future, the parties have agreed that it would be preferable for Liberty to purchase the balance of the policies in the investment portfolios because IEB does not have the administration or technical resources to administer the IEB Investment Only Business effectively.

Effect on competition

7. The Commission and the parties differed in their definition of the relevant market. According to the parties the relevant market should be defined narrowly, as the national market for the provision of investment management services to retirement funds. Although the Commission acknowledges that it is within the more narrow services market in which the parties' activities overlap it chose to define a broad product market namely the national market for the provision of asset management services.

8. However, we do not have to make a definitive finding on the relevant market as we are of the view that, based on the merged entity's low market share, the merger would not result in a substantial lessening of competition. The merged entity will have a market share of 11.2% within the asset management market and will be the third largest player in a market where many compete. The largest players in this market are Old Mutual Life Assurance Company (18.2%) and Sanlam Investment Management (15.6%). Within the narrow definition, as submitted by the parties, the market share of the merged entity would be approximately 5.8%.

9. Barriers to entry are low and according to the parties there have been 10 new entrants into this market since 2003.

10. The merger is therefore unlikely to lessen competition.

Public interest issues

11. This transaction does not raise any public interest issues.

____________ **14 February 2006**

Y Carrim **Date**

Concurring: L Reyburn, U Bhoola