



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020677

In the matter between:

MMI STRATEGIC INVESTMENTS

Primary Acquiring Firm

And

IMARA S.P REID (PTY) LTD

Primary Target Firm

Panel	: N Manoim (Presiding Member)
	: Y Carrim (Tribunal Member)
	: A Ndoni (Tribunal Member)
Heard on	: 8 April 2015
Order Issued on	: 8 April 2015
Reasons Issued on	: 23 April 2015

Reasons for Decision

Approval

[1] On 8 April 2015, The Competition Tribunal (“**Tribunal**”) unconditionally approved the acquisition by MMI Strategic Investments (“**MMI**”) of Imara S.P Reid Proprietary Limited (“**ISPR**”).

[2] The reasons for approving the proposed transaction follow.

Parties to the transaction

[3] The primary acquiring firm is MMI, a special purpose vehicle wholly owned by MMI Holdings Limited ("**MMI Holdings**"). MMI Holdings is listed on the Johannesburg Securities Exchange. MMI Holdings is not controlled by any one firm, its largest shareholder is RMI Limited, holding 24.5%. MMI controls the following firms:

- Guardrisk Group Proprietary Limited
- Guardrisk Life Limited
- Guardrisk Allied Products and Services Proprietary Limited
- Guardrisk Premium Finance (Pty) Ltd
- Guardrisk Insurance Company Limited
- Strategic Real Estate Managers Proprietary Limited

MMI Holding and its subsidiaries will collectively herein be referred to as the MMI Group.

[4] The target firm is ISPR, a private company controlled by Imara Capital South Africa (Pty) Ltd ("**Imara Capital**"). Imara Capital is controlled by Imara Holdings Limited ("**Imara Holdings**") (90%) and Imara Asset Management South Africa (Pty) Ltd (10%). ISPR controls S.P Reid Proprietary Limited ("**S.P Reid**")¹ and Juspoint Nominees Proprietary Limited ("**Juspoint**").²

Proposed Transaction

[5] MMI intends to acquire 100% of the issued share capital of ISPR and 100% of the shareholders claims against ISPR. Post-merger MMI will have sole control over ISPR.

¹ S.P Reid is currently dormant

² Juspoint is an authorised nominee company, used to ensure clients assets are segregated from those of ISPR. It serves as the registered shareholder on behalf of ISPR's beneficial clients.

Rationale

- [6] MMI wishes to enter the stockbroking services market and ISPR, *inter alia* wishes to acquire access to capital, provide more effective capital management frameworks and enhanced operational and risk management support.

Relevant Market and Impact on Competition

- [7] MMI is a special purpose vehicle that MMI Holdings utilises for acquisition purposes. The MMI Group develops, markets and distributes a variety of products, *inter alia*, long and short-term insurance, asset management and retirement products. The MMI Group is divided into various operational business divisions but relevant for this transaction is Momentum Investments. ISPR's primary business involves trading and providing a full stock brokerage services to high net worth individuals and institutions. ISPR's secondary business is portfolio management services.
- [8] The Commission identified two relevant markets, namely, the national market for the provision for portfolio management services and the national market for stockbrokerage services.
- [9] The Commission found that there is a horizontal overlap in merging parties' activities in the market for the provision of portfolio management services. There is also an existing vertical relationship between the merging parties in that ISPR provides stockbroking services to MMI. MMI does not provide its own in-house stock-broking services but appoints third party stockbrokers to do this on its behalf.³
- [10] In the horizontal market for the provision of portfolio management, the Commission found that the merged entity would have a market share of less than 2%. It will continue to face competition from other players such as, Public Investment Corporation Limited, Old Mutual Investment Group and Allan Gray (Pty) Ltd.

³ The merging parties have also recently reached an agreement in terms of which ISPR has undertaken to introduce the Acquiring group's products exclusively to its business customers. However the Commission disregarded this for purposes of this transaction as this agreement has not been utilized yet.

[11] With regards to the vertical relationship, the Commission found that the merged entity is a small player in the market for stockbroking with a market share of 4%. It competes with large competitors such as, *inter alia*, PSG Asset Management, Sanlam Private Investments and Investec. Since the merged entity is a small player in both the portfolio management services market and the stockbroking market, the Commission found that the proposed transaction does not raise any foreclosure concerns.

[12] The Commission therefore concluded that the transaction is unlikely to substantially lessen competition in the above mentioned markets. We agree with this finding.

Public Interest

[13] The transaction does not raise any public interest concerns.

[14] In light of the above we concluded that the proposed transaction was unlikely to substantially prevent or lessen competition. Accordingly we approved the proposed transaction unconditionally.



Mr N Manoim

23 April 2015
DATE

Ms Y Carrim and Ms A Ndoni concurring

Tribunal Researcher:	Moleboheng Moleko
For the merging parties:	Shawn van der Meulen – Webber Wentzel
For the Commission:	Nokuphiwa Kunene, Seema Nunkoo and Xolela Nokele