

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 28/LM/Feb09

In the matter between:

PSG Konsult Ltd

Acquiring Firm

and

Tlotlisa Securities (Pty) Ltd

Target Firm

Panel : D Lewis (Presiding Member), Y Carrim (Tribunal Member) and N Manoim (Tribunal Member)
Heard on : 29 April 2009
Order issued on : 29 April 2009
Reasons issued on : 3 June 2009

Reasons for Decision

Introduction

[1] On 29 April 2009 the Tribunal approved the acquisition by PSG Konsult Ltd of the entire issued share capital in Tlotlisa Securities (Pty) Ltd. The reasons follow below.

The transaction and parties

[2] PSG Konsult Financial Planning (Pty) Ltd and Online Securities Ltd, both subsidiaries of PSG Konsult Ltd which is ultimately controlled by PSG Group Ltd, intend to acquire the whole business of Tlotlisa Securities (Pty) Ltd ("Tlotlisa Securities") which is controlled by Tlotlisa Holdings. Upon

completion of the transaction Tlotlisa Securities will be controlled by both acquiring firms.¹

Activities of the parties

- [3] PSG Group is involved in a wide selection of financial services and products such as stockbroking, long and short term insurance, property and asset finance, retiring planning and advice on pension and provident funds etc.
- [4] Tlotlisa Securities is a stockbroking company specialising in products and services such as equity brokerage, safex brokerage and warrant commission.

Rationale for the transaction

- [5] The Primary acquiring firm wishes to expand its client base in the financial services market through this transaction. Tlotlisa Securities wishes to limit the number of retrenchments envisaged due to the sharp decline in transactions in the stock broking market and regards the transaction as an opportunity to avoid this, to some extent, from happening.

Effect on Competition

- [6] There is an overlap in the activities of the merging parties in respect of stock broking services. The merged entity's market share post the transaction will be 3.5%. This is a highly fragmented market, according to the Commission, with more than 50 players and the merging firms do not feature in the top 10 of trading service providers by value of instruments traded on the JSE Equity Market and Central Order Book Trade. Other larger players in this market are Credit Suisse Standard Securities, Merrill Lynch South Africa, Deutsche Securities, JP Morgan Equities and Citigroup Global Markets.
- [7] In light of the fact that the combined market share of the merging parties remains low the Tribunal finds that the proposed transaction is unlikely to substantially prevent or lessen competition.

¹ Post the transaction Tlotlisa will cease to exist. Since Tlotlisa is a stock broking entity its business lies in its client base and the trading it performs on behalf of those clients. PSG Konsult Financial Planning will therefore acquire the business accounts and clients linked to specific advisors, whilst Online Securities will acquire the online trading accounts and clients linked to the Cape Town operations of the Primary Target Firm.

PUBLIC INTEREST

[8] The parties submitted that 22 of the 64 employees of Tlotlisa Securities will be retrenched, all of which are skilled labour. A restructuring plan had been in place prior to the transaction in order to neutralise the effect of losing more than 40% of its business due to the economic downturn. If the transaction had not been concluded 60 employees would have been retrenched according to Mr Saaimon of Tlotlisa Securities.

[9] The loss of jobs remains a serious concern of the Tribunal. However, in light of the fact that fewer employees will be retrenched as a result of the transaction, we agree with the Commission that the transaction does not raise substantial public interest concerns.

CONCLUSION

[10] The Tribunal finds that the proposed transaction is unlikely to substantially prevent or lessen competition and does not give rise to any public interest concerns.

Y Carrim

3 June 2009
Date

D Lewis and Manoim concurring.

Tribunal Researcher: R Badenhorst
For the merging parties: Cliffe Dekker Hofmeyr
For the Commission: Thaba Mavhase