

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no: 71/LM/Aug05

In The Large Merger Between:

Corvest 6 (Pty) Ltd

Acquiring Firm

And

FCMS BEE Cash Management (Pty) Ltd

Target Firm

Reasons for Decision

Approval

On the 20 September 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Corvest 6 (Pty) Ltd and FCMS BEE Cash Management (Pty) Ltd. The reasons for this decision follow.

The transaction

1. The Fidelity group of companies is currently in the process of unbundling and restructuring. As part of this process, the acquiring firms viz. Corvest 6 (Pty) Ltd ("Corvest"), Dickerson Investments (Pty) Ltd ("Dickerson Investments"), Safika Investments (Pty) Ltd ("Safika"), Zungu Investments Company (Pty) Ltd and a consortium of the members of management ("Management consortium") collectively, will acquire 100% of the shareholding in FCMS BEE Management (Pty) Ltd ("FCMS") from the Fidelity group. Post merger, Corvest, Dickerson Investments, Safika and the Management consortium will jointly control FCMS.¹

The acquiring firms

2. Corvest is controlled by Corvest Holdings (Pty) Ltd, which in turn is controlled by FirstRand Bank Ltd.² The Dickerson Family Trust is the sole shareholder of Dickerson Investments and does not hold interest or shareholdings in any firms other than firms in the Fidelity group of companies. Safika is controlled by Safika Holdings (Pty) Ltd.³ According to the parties no one person controls the Management consortium.⁴

The target firm

3. FCMS is wholly controlled by Fidelity Services Group Properties (Pty) Ltd ("FSG Properties"), which in turn is controlled by Fidelity Services Group Ltd ("FSG"). FSG has a

¹ According to the parties, Zungu Investments minority shareholding will not confer upon it any form of joint control.

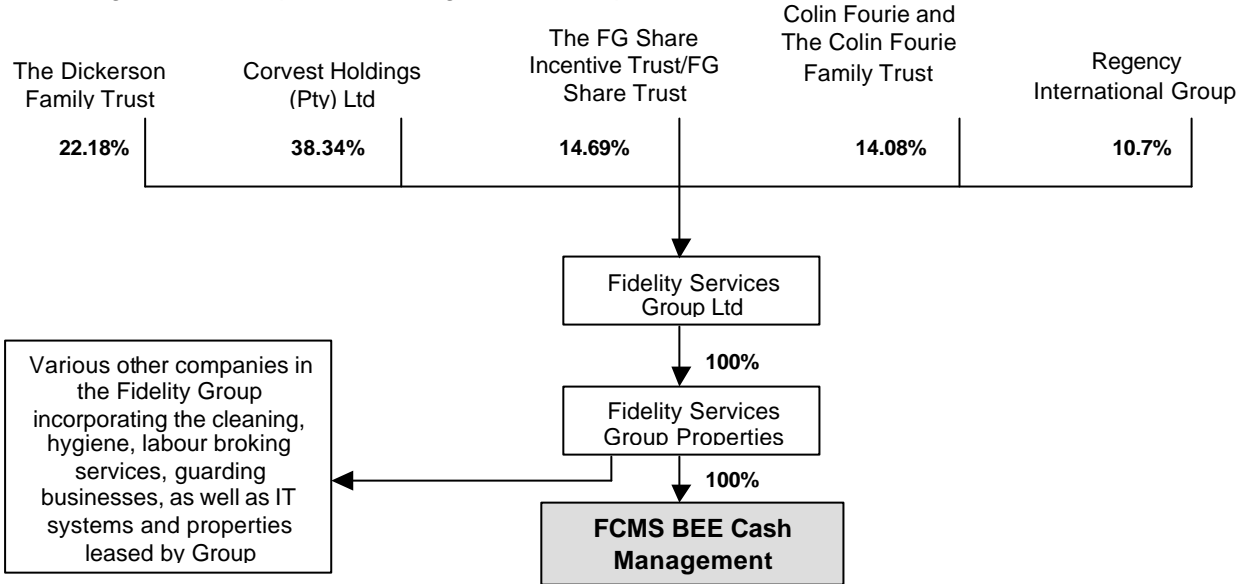
² FirstRand Bank controls a number of firms, a list of which can be found in its Annual Report from page 214-542 of the Record.

³ A list of firms controlled by Safika can be found on pages 547-549 of the Record.

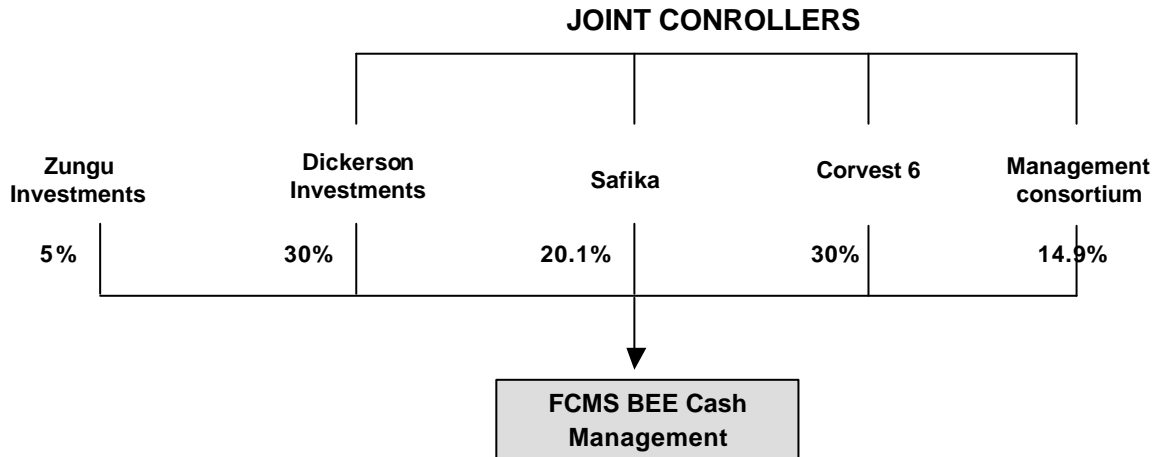
⁴ Zungu Investments is an investment holding company.

number of shareholders and is not controlled by any one firm. FCMS controls several firms including Fidelity Insurance Ltd, Elwierda (Pty) Ltd, CMS Micro Finance (Pty) Ltd, Fidelity Services Group Lesotho (Pty) Ltd and Fidelity Services Group Namibia (Pty) Ltd. FCMS is also a shareholder in various joint venture black empowerment companies including Quattro Cash Management Services (Pty) Ltd and REA-Fidelity Services Group (Pty) Ltd.

Pre merger structure (No controlling shareholder)



Post merger structure (Joint control)



Rationale for the transaction

4. According to the parties, the transaction will introduce BEE partners into each of the Fidelity group's main areas of business. The improvement of its BEE status will help it secure contracts for products and services and ensure the ongoing viability of the businesses.

The Parties' activities

5. The FirstRand Group of companies offers diverse financial services activities in the areas of retail, corporate, investment and merchant banking, life insurance, employee benefits, health insurance and asset and property management. Safika is a private investment company, which has interests in entities providing a wide array of services, primarily focusing on information and communications technology, financial services, resources and human capital. Corvest is involved in the provision finance and other assistance to potential investors. Neither Dickerson Investments nor the Management consortium provides any product or services.⁵
6. Pre-merger, FSG operated through its cleaning services (including hygiene and labour broking), cash management services and security and guarding services divisions. However, due to the restructuring going on in the Fidelity group, it is intended that FSG will ultimately be liquidated. FSG Properties owns various immovable properties from which the companies in the Fidelity conduct their operations. According to the parties, it is anticipated that FSG Properties will also eventually be liquidated once its immovable properties have been sold off. FCMS focuses on the rendering of cash management services which includes (but is not limited to) the collection and delivery of cash and other valuables between banks and or commercial operations as well as the full spectrum of ATM services.⁶

Impact on competition

7. During the hearing on the 20 September 2005, the parties conceded that there was a small degree of overlap between the activities of FirstRand and FCMS.
8. Firstly, as a retail bank, FirstRand is involved in the provision of ATM services. Secondly, FirstRand has an interest in SBV Services (Pty) Ltd, a company formed by the major banks in South Africa, and mainly responsible for the collection and delivery of banknotes between the South African Reserve Bank and the banks.
9. We however, do not find it necessary to explore this overlap as we are satisfied that on the information submitted to us, the transaction will not alter the competitive landscape of any of the markets that the parties are active in. Furthermore, there are no significant public interest concerns arising out of the transaction.
10. We accordingly approve the transaction without conditions.

N Manoir

23 November 2005
Date

Concurring: D Lewis and M Mokuena

For the merging parties: N Browne (Cliffe Dekker Attorneys)

For the Commission: O Strydom (Mergers and Acquisitions)

⁵ The Management consortium is a new entity. Zungu Investments holds interests in a number of different companies across various industries. According to the parties, none of these competes with FCMS.

⁶ See page 611 of the record for a full list of cash management services which FCMS provides.