



DETERMINATION OF MERGER NOTIFICATION M/08/005 - COLLINS STEWART/ISTC

Section 21 of the Competition Act 2002

Proposed acquisition by Collins Stewart Europe Limited of International Securities Trading Corporation plc

Dated 10/03/08

Introduction

1. On 26 February 2008, the Competition Authority ("the Authority"), in accordance with section 18(1)(a) of the Competition Act 2002 was notified on a mandatory basis of the proposed acquisition of International Securities Trading Corporation plc ("ISTC") by Collins Stewart Europe Limited ("Collins Stewart").

The Undertakings Involved

The Acquirer

2. Collins Stewart is listed on the London Stock Exchange. It is an independent stockbroking, corporate advisory and wealth management group. Its worldwide turnover for the year ended 31 December 2006 was stg£184.8 million (approximately €245 million¹). It is organised around five business divisions:
 - **Capital Markets:** This division provides an equity capital fundraising service for small/mid-cap equity on the Alternative Investment Market.
 - **Securities:** This division offers a research, sales and execution service to over 400 institutional clients.
 - **Wealth Management:** This is an independent portfolio manager and stockbroker offering portfolio management, stockbroking and a range of investment funds.
 - **Quest:** This is a database and modelling system that provides a method for analysing corporate value creation and valuation.
 - **Hawkpoint:** This is an independent corporate finance advisory business that provides a broad range of advisory services to clients in the areas of mergers and acquisitions, capital markets, debt, restructuring and strategic advice.
3. Collins Stewart opened its Dublin office in 2003. This office effectively acts as a sales desk for the Collins Stewart Securities Division in London by providing large institutional Irish buyers (e.g. pension funds, fund managers) with access to Collins Stewart's transaction and settlement services in London. The Dublin sales office does not itself

¹ Currency conversion provided by the parties.

carry out any transaction and settlement services, but gathers orders via its sales team and refers these on to the London office for execution. In 2006, Collins Stewart generated approximately stg£[] (approximately €[]²) in the State from these activities.

The Target

4. ISTC was originally incorporated as a private limited company in May 2005 and was subsequently registered as a public limited company on 4 January 2007. It was established as a specialist corporate lender to regulated financial institutions (i.e. banks). It invests in capital instruments and securities and other investment vehicles issued by banks or issuers sponsored by banks to raise funds.
5. The most recent financial information available for ISTC is contained in published unaudited interim accounts for the six months ended 15 March 2007. According to these, ISTC's turnover was €38.4 million for this six month period. From this, and from the pattern of other financial information available for ISTC, it is reasonable to conclude that: (a) the financial year for ISTC was intended to end on 15 September 2007; and (b) therefore, the financial year ended 15 September 2007 is the "most recent financial year" for the purposes of section 18(1) of the Competition Act 2002. The parties informed the Authority that no accounts were available from 15 March to 15 September 2007. However, the parties confirmed to the Authority that, on the basis of the unaudited accounts for the six month period to 15 March 2007, it is likely that ISTC's turnover would have exceeded €40 million over the 12 month period to 15 September 2007.

Analysis

6. While both parties are active in the provision of financial services Collins Stewart is not engaged in the type of corporate lending in which ISTC specialises. In addition, it informed the Authority that it does not generally source debt finance for its customers and does not specialise in debt finance to banks. As a result, there are no horizontal or vertical overlaps between the activities of the parties.
7. The Authority therefore considers that the proposed transaction does not raise competition concerns.

Determination

8. The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Collins Stewart Europe Limited of International Securities Trading Corporation plc will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

² Currency conversion provided by the parties.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority