



DETERMINATION OF MERGER NOTIFICATION M/08/012 – JPMC/BEAR STEARNS

Section 21 of the Competition Act 2002

Proposed merger between JPMorgan Chase & Co and The Bear Stearns Companies Inc.

Dated 22/04/2008

Introduction

1. On 9th April 2008 the Competition Authority (the “Authority”), in accordance with section 18(1)(a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed merger between JPMorgan Chase & Co (“JPMC”) and The Bear Stearns Companies Inc. (“Bear Stearns”).
2. Pursuant to the proposed transaction, Bear Stearns will merge with and into a newly created acquisition vehicle that will be wholly-owned by JPMC (“Merger Sub”). JPMC’s shares in Merger Sub will be converted into shares of the surviving corporation. The shares of Bear Stearns will be cancelled and cease to exist.

The Undertakings Involved

The Acquirer

3. JPMC is a publicly-owned company whose common stock is listed on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. Its shares are publicly traded and widely dispersed. No undertaking currently exercises control over JPMC.
4. JPMC is a global financial services firm. Its activities are internally organised into six major business segments: Investment Banking, Retail Financial Services, Card Services, Commercial Banking, Treasury & Securities Services and Asset Management.
5. JPMC carries on business in the State mainly through the activities of J.P. Morgan Bank (Ireland) plc (“JP Morgan Ireland”) and its subsidiaries, as well as through the provision of a broad range of financial services in the State by JPMC companies based elsewhere.
6. The principal activities of JP Morgan Ireland and its subsidiaries comprise investment securities administration services, treasury services and investor services to corporate bodies, traditional mutual funds and hedge funds. These services fall within the asset management category (and, for some limited services) corporate banking.
7. In addition to JP Morgan Ireland, JPMC has the following subsidiaries in the State:

- (i) J.P. Morgan Administration Services (Ireland) Limited, a company that provides fund accounting and transfer agency services to mutual funds.
 - (ii) J.P. Morgan Ireland (Nominees) Limited (non-operational).
 - (iii) J.P. Morgan Hedge Fund Services (Ireland) Limited, a company that provides fund accounting and transfer agency services to hedge funds.
 - (iv) J.P. Tranaut Holdings Limited, a company that holds loans for J.P. Morgan Hedge Fund Services (Ireland) Limited and has a licence agreement for a system used by that company.
8. In the financial year ended 31 December 2007, JPMC generated total net revenue worldwide of approximately US\$71,372 million (approximately €52,077 million¹).
9. In the financial year ended 31 December 2007, JPMC generated revenue in the State of approximately US\$[...] (approximately €[...]²).

The Target

10. Bear Stearns is a publicly-owned company whose common stock is listed on the New York Stock Exchange. Its shares are publicly traded and widely dispersed.
11. Bear Stearns is primarily engaged in business as a securities broker-dealer operating in three principal segments: capital markets, wealth management and global clearing services. Its principal business activities are: investment banking, securities and derivatives sales and trading, clearance, brokerage and asset management.
12. In the State, Bear Stearns is mainly active through its subsidiary BS Bank Plc which accounts for the majority of all revenues generated through Bear Stearns' Irish subsidiaries. BS Bank plc is primarily used as a booking centre for derivatives trading services the vast bulk of which are provided to US resident counterparties.
13. To a marginal extent, Bear Stearns also provides services in the State which are related to debt capital markets ("DCM"), securitisation services, inter-bank loans and asset management services (custody and trustee services to hedge funds). However, as regards, securitisation services Bear Stearns provides such services to Irish residents exclusively through Bear Stearns entities located outside of the State.
14. In the financial year ended 30 November, 2007, Bear Stearns generated total revenue worldwide of approximately US\$5,945 million (approximately €4,374 million³).
15. In the financial year ended 30 November, 2006, Bear Stearns generated revenue in the State of approximately US\$[...] (approximately €[...]⁴).

¹ Conversion rates supplied by the parties.

² Conversion rates supplied by the parties.

³ Conversion rates supplied by the parties.

Analysis

Asset Management Services

16. The only horizontal overlap in terms of the operations of the parties in the State, is in asset management services (fund administration services and custody services for funds). However, this overlap does not raise competition concerns in the market for asset management in the State as the parties' combined share with regard to the provision of asset management services at global level amounts to less than [10%].⁵ In any case, Bear Stearns estimates its share for the provision of asset management services to be below [10%] in the State.

Investment Banking and Financial Market Services

17. JPMC, through operations in other countries, provides some investment banking services and financial market services to customers in the State. As a result of these activities, there may be some marginal overlap with Bear Stearns in providing investment banking services and financial market services to Irish customers.
18. With regard to investment banking activities, the only overlap in the State is in respect to the provision of DCM services (origination business). However, this overlap does not raise competition concerns in the market for the provision of investment banking services in the State as the combined market share of the parties in the State in relation to DCM services is [less than 10%] with an increment in the combined market share of [less than 10%].⁶ In any case, the geographic scope of this segment appears to be worldwide, as evidenced by the fact that JPMC only provides this service to Irish customers from JPMC entities based outside of the State.
19. With regard to the provision of financial market services to third party customers in the State, the only current area of overlap is in respect to trading in derivatives. There is no market share data available on this segment of the financial services market in the State. However, on the basis of internal best estimates, the undertakings involved are of the view that it is reasonable to estimate that the combined market share of the parties in respect of trading in derivatives in the State would not be higher than 10% and may be lower. In any case, the geographic scope of this market appears to be worldwide, which is supported by the fact that JPMC only provides this service to customers in Ireland from JPMC entities outside of Ireland. Therefore, the proposed transaction does not raise competition concerns in the market for the provision of financial market services in the State.
20. In addition to the minimal accretion of market share in the above activities as a result of the merger, the competitive conditions in the State are such that the parties compete in the above activities with strong European and US players including Goldman Sachs, UBS, Morgan Stanley, Deutsche Bank, Merrill Lynch, Citigroup, Barclays and Credit Suisse, as well as numerous smaller banks, in highly fragmented areas.

⁴ Conversion rates supplied by the parties.

⁵ In previous decisions, both the Commission and the Competition Authority have accepted that the geographic scope of the asset management market is global (Case No. COMP/M.1453, *Axa/Gre*, para. 8; *Determination M/06/074 – Deutsche Bank/Tilney* dated 17/11/2006).

⁶ Based on analyses by Dealogic and on JPMC's own internal market information.

21. Since the horizontal overlap between JPMC and Bear Stearns is not significant and there are no vertical areas of overlap between the parties, the Authority considers that the proposed transaction does not raise competition concerns in the markets for asset management, investment banking services and financial market services in the State.

Determination

22. The Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed merger between JPMorgan Chase & Co and The Bear Stearns Companies Inc. will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority