



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM008Apr15

In the matter between:

INVESTEC BANK LIMITED

Primary Acquiring Firm

And

**BLUE STRATA TRADING (PTY) LTD
AND
6 BAR SYSTEMS (PTY) LTD**

Primary Target Firms

Panel	: Mr A Wessels (Presiding Member)
	: Prof F Tregenna (Tribunal Member)
	: Ms M Mokuena (Tribunal Member)
Heard on	: 27 May 2015
Order Issued on	: 27 May 2015
Reasons Issued on	: 03 June 2015

Reasons for Decision

Approval

- [1] On 27 May 2015, the Competition Tribunal ("Tribunal") unconditionally approved the acquisition by Investec Bank Limited ("Investec Bank") of Blue Strata Trading (Pty) Ltd ("Blue Strata Trading") and 6 Bar Systems (Pty) Ltd ("6 Bar Systems"). Blue Strata Trading and 6 Bar Systems are collectively referred to hereinafter as Blue Strata.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

- [3] The primary acquiring firm is Investec Bank. Investec Bank is the main subsidiary bank of Investec Limited ("Investec"). Investec is listed on the Johannesburg Securities Exchange Limited and no single firm controls Investec for competition law purposes. Investec directly and indirectly controls a number of firms.¹

- [4] Investec is part of an international specialist banking group that provides a diverse range of financial products and services to a niche client base in the United Kingdom and South Africa. Relevant for this transaction are its local trade finance, debtor finance and asset based lending activities which are done through its subsidiary Reichmans (Pty) Ltd ("Reichmans").

- [5] The primary target firms are (i) Blue Strata Trading; and (ii) 6 Bar Systems. As stated above, these two entities are referred to collectively in these reasons as Blue Strata. Blue Strata directly and indirectly controls certain firms.²

- [6] Blue Strata is an import facilitation specialist which integrates the various services in the import process by managing not only the physical movement of products, but also the order management, foreign exchange, finance and product costing. Blue Strata facilitates all aspects of importation - from order placement, confirmation, tracking and the management of import logistics until delivery of the product to its clients.

Proposed transaction and rationale

- [7] Investec wishes to increase its shareholding in Blue Strata from the current 48.5% to 100%. Post-merger Investec will have sole control over Blue Strata.

- [8] Investec *inter alia* views the acquisition of Blue Strata as a growth opportunity.

¹ See merger record for details.

² See merger record, page 43.

- [9] Blue Strata submitted that the proposed transaction will enable it to access funding to grow the business.

Impact on competition

- [10] The Commission found that there is no horizontal overlap between the activities of the merging parties since Investec is involved in the provision of international and local trade finance whilst Blue Strata provides a full import service to its clients, as explained above, and does not offer trade finance as a separate service similar to Investec. This was confirmed by the customers of Blue Strata.
- [11] The Commission also found that there is an existing vertical relationship between the merging parties since Investec Bank provides funding to Blue Strata. The Commission however concluded that this relationship is unlikely to result in any post-merger foreclosure concerns since it existed pre-merger and, furthermore, there are a number of other banks such as ABSA, Standard Bank and FNB that provide similar funding.
- [12] We concur with the Commission's conclusion that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

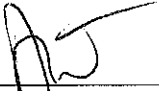
- [13] The merging parties confirmed that the proposed transaction will not result in any negative employment consequences.³
- [14] The proposed merger further raises no other public interest concerns.

Conclusion

- [15] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition,

³ Merger record, pages 9 and 72.

no public interest issues arise from the proposed transaction. Accordingly we approve the proposed transaction unconditionally.



Mr A Wessels

03 June 2015
DATE

Prof F Tregenna and Ms M Mokuena concurring

Tribunal Researcher:	Moleboheng Moleko
For the merging parties:	Paul Coetser and Ahmore Burger-Smidt of Werksmans
For the Commission:	Billy Mabatamela