



12.05.2017

Notice under Section 6 (2) of the Competition Act, 2002 jointly given by Wirecard Acquiring & Issuing GMBH, Wirecard Technologies GMBH Wirecard Sales International Holding GMBH and Wirecard India Private Limited

CORAM:

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Mr. G. P. Mittal
Member

Legal Representatives: Chandhiok & Associates

Order under Section 31(1) of the Competition Act, 2002

1. On 21.03.2017, the Competition Commission of India (“**Commission**”) received a notice, under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”), jointly given by Wirecard Acquiring & Issuing GMBH (“**Wirecard Acquiring & Issuing**”), Wirecard Technologies GMBH (“**Wirecard Technologies**”), Wirecard Sales International Holding GMBH (“**Wirecard Sales**”) and Wirecard India Private Limited (“**Wirecard India**”). (hereinafter, collectively referred to as the “**Acquirers**”).
2. The notice has been given pursuant to execution of: (a) Master Asset Purchase Agreement (“**MAPA**”) between Wirecard Acquiring & Issuing, Wirecard Technologies, Wirecard Sales, Citibank, N.A. and Citibank Overseas Investment Corporation (“**COIC**”) for purchase of Merchant Acquiring Business (“**Target Business**”) in Australia, Hong Kong, India, Indonesia, Macau, Malaysia, New Zealand, Philippines, Thailand, Taiwan and



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Singapore at global level; and (b) India Local Purchase Agreement entered into between Citibank, N.A. India and Wirecard India, each dated 13th March 2017. (Hereinafter, Citibank NA, COIC and Citibank NA India are collectively referred to as “**Sellers**”, and Acquirers and Sellers collectively referred to as the “**Parties**”). As per the terms of the MAPA, the Target Business along with related assets comprising of contracts with merchants, contract files, collaterals and equipment etc. of Sellers will be acquired by Wirecard Acquiring & Issuing, Wirecard Technologies and Wirecard Sales globally. In India, Wirecard India will acquire the Target Business.

3. In terms of the provisions of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to Combinations) Regulations, 2011 (“**Combination Regulations**”), *vide* letter dated 21.04.2017, the Parties were, *inter alia*, asked to provide their market shares and that of their competitors, based on value and volume. The Acquirers filed response on 08.05.2017, after seeking extension of time.
4. Wirecard AG (“**Wirecard**”), a stock corporation organized under the laws of Germany, supports companies in accepting electronic payments from all sales channels. With regard to issuing own payment instruments in the form of cards or mobile payment solutions, it provides companies with an end-to-end infrastructure. Wirecard is a signatory to the MAPA in capacity of a confirming party and is not an acquiring party.
5. Wirecard Acquiring & Issuing, a limited liability company incorporated under the laws of Germany, is a subsidiary of Wirecard. An intermediate holding company with no business operations of its own, it has one subsidiary in India namely GI Technology Private Limited (“**GITPL**”).
6. Wirecard Technologies, a limited liability company incorporated under the laws of Germany, is a subsidiary of Wirecard. It is responsible for development and maintenance of Wirecard’s products and services in electronic payment processing. Wirecard Technologies provides services in India through its Austrian subsidiary i.e. Wirecard CEE.



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7. Wirecard Sales, a limited liability company incorporated under the laws of Germany, is a subsidiary of Wirecard. It is an intermediate holding company, with no business operations of its own. In India, Wirecard Sales has three subsidiaries, namely: (a) Wirecard India (acquirer for the Indian Leg); (b) Hermes iTicket Private Limited; and (c) Star Global Currency Exchange Private Limited. Wirecard Sales is active in India through Wirecard Singapore, which is engaged in invoicing customers in India for the products or services provided by Wirecard Technologies in India.
8. Wirecard operates in India through another subsidiary viz, Wirecard Processing LLC, a limited liability company based in Dubai. It is engaged in the business of providing payment processing services.
9. It has been submitted that while Wirecard Technologies, Wirecard CEE and Wirecard Singapore provide acquiring processing services in India in relation to Merchant Acquiring Services, none of Wirecard's subsidiaries in India, viz. GITPL, Hermes, Star Global and Wirecard India provide acquiring processing services in India.
10. Citibank, NA, a commercial bank and part of Citigroup, offers banking services like: consumer finance; credit cards; mortgage lending and retail banking (including commercial banking) products and services; investment banking; cash management and trade finance; and private banking products and services. In India, Citibank, N.A. operates through Citibank, N.A. India. The Merchant Acquiring Business in India is conducted by Citibank, N.A. India.
11. COIC, incorporated under the U.S. federal laws, is a subsidiary of Citibank, N.A. It does not have any business operations of its own in India and operates as a holding company.
12. On the basis of submissions and subsequent responses of the Parties, the Commission observed that the Target Business (consisting of merchant acquiring services and acquiring processing services) forms part of the wider payments industry, particularly card payments segment. Further, various activities like settlement of dues, provision of POS



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terminals, technical services for online transactions, authentication of transactions and other payment gateways etc. are associated with **Merchant Acquiring Services**, while 'authorization and capture services' fall within the ambit of **Acquiring Processing Services**. In India, merchant acquiring services are provided to merchants by merchant acquirers (usually banks in India) as a composite package including account settlement, hardware and softwares (i.e. acquiring processing services).

13. The Commission noted the contention of the Parties that acquiring processing services is the upstream activity and merchant acquiring services is the downstream activity in the value chain of merchant acquiring business. Further the Commission observed that the Acquirers are present in upstream market and the Sellers are present in the downstream market.
14. Given the nature of combination where the Acquirer and Sellers have negligible market shares in the upstream and the downstream market, respectively and presence of well-established players like State Bank of India, HDFC Bank, ICICI Bank in the market for provision of merchant acquiring services, the Commission observed that the Proposed Combination is not likely to raise any significant competition concern and accordingly decided that the exact delineation of the relevant market be left open.
15. The Commission observed that there are no overlaps in the market for provision of Merchant Acquiring services in India. Further, the Commission observed that based on the installed POS terminals as per RBI statistics as on 31.01.2017, the market share of Sellers is 1.29 percent. The market is characterised by presence of other well established players like State Bank of India, HDFC Bank, ICICI Bank and Corporation Bank having market share (based on number of POS deployed) of 21.42 percent, 19.30 percent, 17.40 percent, 12.63 percent and 8.91 percent, respectively. Further, based on value and volume of transactions, the market share of Sellers are [5-10] percent and [10-15] percent respectively in 2015. The Commission further noted that the market share in terms of value and volume of the Sellers have declined to [0-5] percent and [5-10] percent respectively in 2016. The Parties have submitted that due to no visibility with respect to value or



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volume of transactions processed by competitors, the Parties are unable to provide the market share of the competitors based on value and volume in the market for Merchant Acquiring Services.

16. Further, the Commission observed that although the Acquirers are present in upstream market of acquiring processing services and the Sellers are present in the downstream market of Merchant Acquiring Services, there is no actual vertical relationship among the Parties. The Commission noted that that the Acquirers have insignificant share in the upstream market. Taking into consideration the above factors, the Commission does not find the proposed combination to raise any appreciable adverse effect on competition.
17. Considering facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and assessment on the basis of factors stated in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the same under sub-section (1) of Section 31 of the Act.
18. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
19. The information provided by the Acquirers is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
20. The Secretary is directed to communicate to the Acquirers accordingly.