



Fair Competition
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COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2014/12/231)

12.02.2015

Notice u/s 6 (2) of the Competition Act, 2002 given by Kotak Mahindra Bank Limited and ING Vysya Bank Limited

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

1. On 15th December, 2014, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) filed by Kotak Mahindra Bank Limited (“**Kotak**”) and ING Vysya Bank Limited (“**ING Vysya**”). (Hereinafter Kotak and ING Vysya are referred to as the “**Parties**”).
2. The proposed combination is a merger of ING Vysya into Kotak under a scheme of amalgamation (“**Merger Scheme**”). The Merger Scheme provides that for every 1000 shares held by the shareholders of ING Vysya, 725 shares of Kotak will be allotted to the shareholders of ING Vysya.
3. In terms of sub-regulation (4) of Regulation 5 and sub-regulation (2) of Regulation 19 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), vide letter dated 31st December, 2014, the Parties were required to file additional information/document(s) by 5th January, 2015. After seeking an extension, the Parties filed their response on 13th January, 2015.
4. In terms of Regulation 14 of the Combination Regulations, vide letter dated 20th January, 2015, the Parties were required to remove certain defects and file the response by 27th January, 2015. The Parties filed their response on the due date. The Parties were again issued another letters dated 28th January, 2015 and dated 29th January, 2015 for removal of certain defects. The Parties filed their response to the respective letters vide their letters dated 3rd February, 2015 and dated 9th February, 2015, respectively.
5. Kotak, a company incorporated under the Companies Act, 1956 in India, offers a wide range of banking and financial services through its 641 branches located across India. Kotak, through its various subsidiaries, also provides life insurance, asset management, brokerage, investment banking and investment advisory services.



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6. ING Vysya, a company incorporated under the Companies Act, 1956, has 573 branches across India and offers retail banking, corporate banking and credit card services. In addition, ING Vysya provides portfolio management, investment advisory and securities depository services to its customers.
7. It is noted that both the Parties are engaged in the provision of banking services. In addition, there is a horizontal overlap in other services provided by the Parties, namely, (i) investment advisory services; (ii) portfolio management services; and (iii) securities depository services, in which the Parties are present either by themselves or through their subsidiaries.
8. As regards the relevant market, it is submitted in the notice that the relevant product market is the market for provision of banking services in India which comprises of deposits and advances. Further, the Parties have stated that the geographic market may be treated as nationwide as they have presence across India and that the usage of information technology has also enabled the banks to offer various products and services to the customers through the websites and mobile phones. However, in this regard, the Commission observed that banking services would not constitute a relevant product market since many of the products provided by the banks may not be substitutable, and therefore, separate relevant markets based on type of services may have to be delineated within the overall banking services. Further, it is also observed by the Commission that the geographic market for banking products may be dependent on the nature of products as well as consumer preferences and requirements. As regards the plea of the Parties regarding usage of information technology enabling banks to offer services on a nationwide basis, it is observed that electronic banking facilities are complementary in nature than constituting a substitute for the traditional banking.
9. In view of the foregoing and based on the international best practices regarding the assessment of the mergers in the banking sector, it is noted that the relevant market for banking services may be divided into distinct relevant product markets, such as, (i) deposits; (ii) home loans; (iii) agricultural banking; (iv) card business; (v) retail banking services other than card business, deposits and home loan; (vi) medium and small business banking; and (viii) wholesale banking other than small business banking, with a possibility of further segmentation in the above.
10. It is also noted that for the purpose of the proposed combination, it may, however, not be necessary to delineate the relevant market in a definitive manner since based on the assessment as provided in the succeeding paragraphs, no competition concerns is likely to arise pursuant to the proposed combination, irrespective of the product market definition on the above basis.



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11. Further, it is also observed that based on the type of the products, the relevant geographic market in banking sector may also range from local to national markets. However, the precise definition of relevant geographic market may also be left open with respect to the proposed combination since it does not affect the competitive assessment of the proposed combination, as provided in the succeeding paragraphs.
12. In this regard, it is noted that the market shares of the Parties in any of the relevant markets, that may be defined as above is insignificant. Further, the presence of large players, such as State Bank of India, Punjab National Bank, HDFC Limited, ICICI Bank, etc. in these markets would also act as a competitive constraint to the Parties. It is also observed that since ING Vysya does not have significant market share in any of the said relevant markets, the proposed combination would not result in the removal of a significant competitor. With regard to investment advisory services, securities depository services and portfolio management services, it is observed that the market shares of the Parties are insignificant in comparison to the other larger players present in the markets. There are large number of competitors, including banks and entities registered with the Securities and Exchange Board of India present in these markets.
13. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination 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.
14. This approval is without prejudice to any other legal/statutory obligations as applicable.
15. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
16. The Secretary is directed to communicate to the Parties accordingly.