



10.01.2019

Notice u/s 6 (2) of the Competition Act, 2002 given by Visa International Service Association

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Mr. U. C. Nahta
Member

Ms. Sangeeta Verma
Member

Legal Representatives of the parties: M/s AZB & Partners

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

1. On 03.12.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by Visa International Service Association (“**Visa International**” / “**Acquirer**”).
2. The proposed combination relates to the acquisition of around 13.12 percent of the total equity share capital (on a fully diluted basis) of IndiaIdeas.com Limited (“**IndiaIdeas**” / “**Target**”), by Visa International (“**Proposed Combination**”). The Proposed Combination envisages:
 - i. Subscription to around 4.92 percent of the total equity share capital of IndiaIdeas (on a fully diluted basis) by Visa International;
 - ii. Acquisition of around 3.60 percent of the total equity share capital of IndiaIdeas (on a fully diluted basis) by Visa International from Wagner Limited (“**Wagner**”);
and



- iii. Acquisition of around 4.60 percent of the total equity share capital of IndiaIdeas (on a fully diluted basis) by Visa International from Clearstone Venture Mauritius (“CVM”).
3. For the purposes of the Proposed Combination, following documents have been executed:
 - i. Share Subscription Agreement dated 16.11.2018 entered into between Visa International, Claymore Investments (Mauritius) Pte Ltd (“Claymore”), IndiaIdeas and the promoters of IndiaIdeas (**Promoters**);
 - ii. Share Purchase Agreement dated 16.11.2018 entered into between Visa International and Wagner;
 - iii. Share Purchase Agreement dated 16.11.2018 entered into between Visa International and CVM;
 - iv. Shareholders Agreement dated 16.11.2018 entered into between CVM, Wagner, IndiaIdeas, Promoters, General Atlantic Singapore Fund Pte Ltd (**General Atlantic**), Claymore, and Visa International.
 4. During the course of review of the Proposed Combination, the Acquirer submitted certain information(s)/clarification(s), *vide* submissions dated 27.12.2018 and 28.12.2018, *inter alia*, related to overlaps between the activities of the parties and market shares.
 5. Visa International is a wholly owned subsidiary of Visa Inc., the ultimate holding company for Visa group of companies (hereinafter Visa International, Visa Inc. along with their subsidiaries are collectively referred to as “**Visa**”). Visa is a global payments technology company engaged in provision of various services relating to digital payments. In India, Visa operates, *inter alia*, in the space for affiliation of credit cards/debit cards/ prepaid cards issued by banks and co-branded credit cards issued by non-banking financial companies or any other entity approved by the Reserve Bank of India, provision of payment gateway technology services and data analytics for fraud detection/protection.
 6. IndiaIdeas is the ultimate holding company for the IndiaIdeas group of companies and uses the name “BillDesk” as its trading/business/brand name in India. IndiaIdeas offers technology-platform and services that primarily assist utility companies, businesses and other entities to receive payments from their customers, who choose to pay using digital



payment methods. The products/services offered by IndiaIdeas include: (i) payment aggregation services; (ii) biller network business/billing presentment and payment services; (iii) recurring payment services; (iv) distribution of recharge vouchers; and (v) technical services for digital payments including authentication and processing of digital payments. Further, IndiaIdeas through its subsidiaries, offers technology platforms and services which primarily (i) enable entities to offer loyalty programs to their customers; (ii) enable consumers to use and transact over an order matching platform for trading in select crypto assets; and (iii) assists various businesses in their risk management services.

7. The Commission observed that Visa and IndiaIdeas are primarily engaged in provision of services facilitating digital payments. Digital payments can be made using multiple payment instruments such as credit cards, debit cards, internet banking, account transfers and through pre-paid instruments. A digital payment transaction can be broken down into the following steps at broader level:

- i. A customer initiates a payment at the interface of a merchant (either online, i.e. using a website, or through a Point of Sale terminal/ machine (PoS terminal) *etc.*;
- ii. If a customer chooses to make an online digital payment, it is likely that the merchant's website will direct him to a payment aggregator (such as Target), or directly to an acquiring bank;
- iii. The next step is based on choice of payment instrument. For transactions using credit / debit cards and UPI, it is usually required that there be an acquiring bank which processes the payment on behalf of the merchant, and receives authorization for payment from the issuing bank (via payment networks such as one operated by Visa). For internet banking or PPI transactions, payment aggregators typically connect directly to banks or prepaid issuers to receive payment authorization.

8. The initiation and completion of digital payments requires a whole host of enabling services which act near simultaneously to ensure that the customer is able to make digital payments and typically involves interaction among various stakeholders including merchants, acquiring bank, processors, independent sales organization, and payment networks – each performing a specific task. Within this space, Visa is primarily engaged in providing technical services to institutions such as acquiring banks to enable them to



operate payment gateways and connect to card networks and providing ancillary services such as data analytics while IndiaIdeas, *inter alia*, operates as a payment aggregator to merchants. The Commission observed that the aforesaid activities of Visa and IndiaIdeas may be regarded as complementary in nature. The Commission accordingly assessed the likely impact of the Proposed Combination in the overall digital payment space considering the specific presence of the parties.

9. As stated above, Visa operates a payment network and provides payment gateway technology services to acquiring banks. As submitted, typically banks have multiple payment gateways to process payments. When a customer chooses an option to pay, a payment aggregator such as IndiaIdeas will connect to the card payment network through one of the acquiring bank's gateways. The Acquirer further submitted that a gateway is chosen for the authentication and processing of a transaction through an algorithm which considers various factors including (i) the commercials of a gateway; (ii) the success rates of each gateway; (iii) the traffic i.e., the number of transactions being processed by the bank at that particular time etc. Therefore, a payment aggregator does not choose which gateway will be used to authenticate and process the transaction. Further, it is observed that it may not be commercially viable for IndiaIdeas to put in place any exclusivity arrangement with Visa as the customers of IndiaIdeas will be inclined to switch to competitors of IndiaIdeas since they would provide end-customers with a wider range of payment options.

10. From the perspective of Visa, the Acquirer submitted that a payment gateway has contractual tie ups with a number of financial institutions such as banks, mobile wallets *etc.* and the more number of such tie-ups, the more number of payments that a payment gateway can process. In turn the number of payments that a payment gateway gets to process is also subject to the number of merchants whose online interfaces need such gateways to process payment instructions of their customers. Further, the need of a payment gateway for a merchant depends upon the number of customers who are able to use such gateways to make such payments. The more the number of payment aggregators (which merchants tend increasingly to use) which can use a payment gateway, the more effective the payment gateway is. Accordingly, there is no commercial incentive for a payment gateway to be accessible through a single payment aggregator. The Acquirer



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(Combination Registration No. C-2018/12/620)



further submitted that since the number of end-customers which can use a payment gateway also has a direct bearing on the number of financial institutions which seek to enter into contractual arrangements with the payment gateway, it would be commercially counter-intuitive for independent payment gateway providers to not be used by multiple payment aggregators. Accordingly, it is observed that the Proposed Combination is not likely to confer any ability/incentive to Visa to put in place any exclusivity arrangement with IndiaIdeas.

11. Considering the facts on record and the details provided in the notice given under Section 6(2) of the Act and assessment of the Proposed Combination on the basis of factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India in any of the relevant market(s) and therefore, the Commission hereby approves the same under Section 31(1) of the Act.
12. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
13. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
14. The Secretary is directed to communicate to the Acquirer accordingly.