


COMESA Competition Commission
Kang'ombe House
P.O. Box 30742
Lilongwe 3, Malawi
Tel: +265 1 772 466
Email- compcom@comesa.int


**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/12/50/2022

Decision¹ of the Ninety-Fifth (95th) Meeting of the Committee Responsible for Initial Determinations Regarding the Proposed acquisition of 100% shareholding in MyBucks Banking Corporation Limited by Centenary Rural Development Group Limited and Catholic Archdiocese of Lilongwe

ECONOMIC SECTOR: Banking and Financial Services



26 June 2023

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

The Committee Responsible for Initial Determinations,

Cognisant of Article 55 of the Treaty establishing the Common Market for Eastern and Southern Africa (the "**COMESA Treaty**");

Having regard to the COMESA Competition Regulations of 2004 (the "**Regulations**"), and in particular Part 4 thereof;

Mindful of the COMESA Competition Rules of 2004, as amended by the COMESA Competition [Amendment] Rules, 2014 (the "**Rules**");

Conscious of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation of 2015;

Recalling the overriding need to establish a Common Market;

Recognising that anti-competitive mergers may constitute an obstacle to the achievement of economic growth, trade liberalization and economic efficiency in the COMESA Member States;

Considering that the continued growth in regionalization of business activities correspondingly increases the likelihood that anti-competitive mergers in one Member State may adversely affect competition in another Member State;

Desirability of the overriding COMESA Treaty objective of strengthening and achieving convergence of COMESA Member States' economies through the attainment of full market integration;

Having regard to the COMESA Merger Assessment Guidelines of 2014;

determines as follows:

Introduction and Relevant Background

1. On 5 May 2023, the COMESA Competition Commission (the "**Commission**") received a notification regarding the proposed acquisition by Centenary Rural Development Group Limited ("**Centenary**") and Catholic Archdiocese of Lilongwe ("**Catholic Archdiocese**") (the "**Acquiring Undertakings**") of 100% shareholding in MyBucks Banking Corporation Limited ("**MyBucks**" or the "**Target Undertaking**"), pursuant to Article 24(1) of the Regulations.
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.



The Parties

Centenary (Acquiring Undertaking)

4. Centenary is a limited liability company and a holding company of Centenary Bank of Uganda, the largest commercial microfinance bank in Uganda. Centenary is also a holding company for two other subsidiaries, namely Centenary Foundation and Centenary Technologies Services Limited. Centenary was initially incorporated as Centenary Rural Development Bank Group Limited on 6 April 1983 and it changed its name to Centenary Rural Development Group Limited on 1 July 2020. The Group's flagship subsidiary, Centenary Bank of Uganda is a leading commercial microfinance bank serving a quarter of Uganda's banking population, with 2.4 million customers, 80 branches, 5,200 agents, 192 ATMs, online digital platforms and 3,000 employees. Centenary also supports 46,000 Village Savings and Lending Associations and 12,000 SACCOs. Within the Common Market, Centenary has operations in Uganda only.

Catholic Archdiocese (Acquiring Undertaking)

5. The Catholic Archdiocese is a religious institution that was initially established as the Apostolic Prefecture of Nyasa from the Apostolic Vicariate of Tanganyika in Tanzania on 31 July 1899 before being formally elevated as a diocese of Lilongwe on 25 April 1959 and further elevated to archdiocese status on 9 February 2011. In January 1961 the diocese was formally incorporated as a Trust under the Trustees Ordinance (Cap. 47 of the Laws of Nyasaland).
6. The Catholic Archdiocese has seven Deaneries and 45 parishes. It has five governance structures, namely Board of Trustees comprising of four (4) trustees, College of Consultors (comprising eight people), Finance and Investment Council (comprising of nine people), Tribunal (comprising of five people) and the Executive Management (comprising of five people). The Catholic Archdiocese owns several institutions in Malawi, including education institutions, hospitals, and companies, in addition to owning several commercial properties within Lilongwe and surrounding districts. It also runs several community and social justice projects. Within the Common Market, the Catholic Archdiocese operates in Malawi only.

MyBucks (the Target Undertaking)

7. MyBucks, is a limited company incorporated under the Companies Act of 2013 and registered in Malawi under the Banking Act of 2010. The parties submitted that MyBucks was licensed as a commercial bank on 15 May 2013 as New Finance Bank Limited with company registration number 12942. Further, it was licensed as a commercial bank under the Financial Services Act on 13 May 2014 and on 24 July 2014, it changed its name to New Finance Bank Malawi and commenced its operations on 27 January 2015. On 10 April 2019, the Bank changed and rebranded to MyBucks Corporation Limited following a merger between New Finance Bank Malawi Limited and GetBucks Limited. It is the



most recent market entrant of Malawi's eight commercial banks market. Within the Common Market, MyBucks provides retail and corporate banking services in Malawi only.

Jurisdiction of the Commission

8. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission within 30 days of arriving at a decision to merge. Only mergers that satisfy the prescribed thresholds pursuant to Articles 23(4) and 23(5) of the Regulations are regarded as notifiable mergers. The merger notification thresholds are prescribed under Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") which provides that:

Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

- a) the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds USD 50 million; and*
- b) the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds USD 10 million,*

unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.

9. The merging parties have operations in more than two COMESA Member States. The parties' combined annual asset value in the Common Market exceeds the threshold of USD 50 million and the parties derived asset value of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide asset value within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

Details of the Merger

10. The parties have submitted that the notified transaction entails the acquisition of 100% shareholding in MyBucks by Centenary and the Catholic Archdiocese.

Competitive Assessment

Consideration of the Relevant Markets

Relevant Product Market

11. The CID noted that Centenary, is active in the provision of microfinance services through its subsidiary Centenary Bank of Uganda which is only active in Uganda. Further, the Catholic Archdiocese is a religious body that owns institutions active in education, hospitals, and commercial properties in Malawi. The Catholic Archdiocese is also active



in community and social justice projects. The Target Undertaking, MyBucks, is active in the provision of banking services in Malawi only.

12. The CID observed that one of the acquirers, Centenary, and the Target Undertaking, MyBucks, are both active in the provision of financial services, except the former is active in microfinance while the latter is active in banking services. The CID considered that the transaction may present horizontal or vertical elements but observed that the entities operate in different Member States. Regarding any possible interrelations between the Catholic Archdiocese and MyBucks, the CID noted that the services provided by the two were not similar as such horizontal overlaps were unlikely to arise.
13. The CID considered that any changes in the market structure resulting from the transaction, or any competitive effects of the transaction were likely to manifest in the activities of the target, being the entity that is being acquired. Therefore, the CID focused its relevant product assessment on the provision of banking services.

Provision of banking services

14. Commercial banking services entail provision of retail and corporate banking services categorised as deposit, lending, and payment services. Retail banking comprises of all banking services provided to private individuals and very small enterprises, such as deposit account services; payment services that include ATM services, payment card issuing, credit transfer, direct debit, standing orders and cheques; and lending services². Corporate banking involves provision of banking services to clientele that range from small- to mid-sized local businesses to large conglomerates.
15. The CID noted that similarities can be identified in the nature of the services provided to corporate and retail customers. However, a key distinction can be observed in the manner these services are provided to retail or corporate customers. The provision of the services to the two customer categories can be considered different despite the core nature of the services being the same. For instance, corporate customers may get additional services such as a dedicated banker; easy access to loan facilities or they may obtain bargaining power to negotiate favourable interest rates against their deposits. Such additional services and opportunities are not available under retail banking.
16. The CID further noted that there exists strong level of relationship between a bank and its corporate clients which may signal that fact that the provision of corporate banking services requires professionals with high standard customer relationship expertise. Due to these transactional and existing distinctive requirements, and complex product nature in corporate banking services, it is highly unlikely that in response to a small but significant non-transitory increase in the cost of accessing retail banking services, a significant number of retail customers would swiftly switch to corporate banking services. The CID

² See case No M.8414 – DNB / Nordea / Luminor Group, paragraph 15, dated 14/09/2017.



therefore concluded that from a customer perspective, corporate and retail market segments were distinct.

17. The CID recalled its decisional practices³, which considered retail and corporate banking services as distinct markets on account of the differences in the manner the services are provided and the different customers the services are intended to serve.
18. In view of the above, the CID concluded that corporate banking and retail banking comprise of separate markets.
19. The CID observed that retail and corporate banking may further be segmented into narrower markets, namely loan, deposit, and payment services which are distinct given their unique characteristics and intended use. For instance, deposits by customers are intended to keep funds for future spending with a possibility of gaining interest. To the contrary, loans are meant to mitigate financial gaps faced by a customer which are repaid in future with applicable accrued interest. Another distinguishing feature of a loan is the requirement for collateral for the customer to access such funds.
20. The CID noted that payment services entail those services that complement cash deposit or withdrawal, and these include electronic payment which comprise either direct debit, standing order, credit transfer, debit card or credit card transaction or mobile banking payment solutions.
21. The CID observed that the above demonstrates loans, deposits, and payment services are distinct given their unique characteristics and usage such that they are not likely to be substitutable. These services are similarly accessible to retail and corporate customers with the only difference being the manner they are provided.
22. In view of the above, the CID observed that demand and supply of these services can be distinguished based on the category of customers, either retail or corporate. Therefore, the CID concluded that narrow relevant product markets comprising deposit, loan and payment services distinguished based on retail and corporate customers can be construed as follows:
 - a) provision of corporate deposit services.
 - b) provision of retail deposit services.
 - c) provision of corporate lending services.
 - d) provision of retail lending services.
 - e) provision of corporate payment services; and
 - f) provision of retail payment services.

³ Para 11 of Case File No. CCC/MER/02/03/2021 - the Acquisition by Arab Bank Corporation (B.S.C) of 99.42% of the share capital of Blom Bank Egypt S.A.E; Para 29 of Case File No. CCC/MER/12/34/2022 - African Banking Corporation Zambia Limited T/A Atlas Mara Zambia by Access Bank Zambia Limited; and Para 28 of Case File No. CCC/MER/09/26/2021 - Standard Bank Group Limited and Liberty Holdings Limited.



Relevant Geographic Market

23. The CID noted that the Target Undertaking, MyBucks, only operates in Malawi. The CID considered that from a supply perspective, commercial banks are closely regulated by central banks of the respective countries where they operate. This is a limiting factor to their operations beyond a single country. The CID observed that a bank's provision of services beyond a single country would require obtaining relevant approvals from the central bank⁴. Despite the possibility to operate beyond one country, the costs of switching are not likely to facilitate timely response to a 5 - 10% increase in expected profits. The CID therefore considered that the geographic scope of banking services was likely to be limited to national.
24. The CID noted that from a demand perspective, customers may switch demand of retail banking services across countries in response to increase in charges levied by banks in one country. Thus, foreign nationals working and residing outside their home countries may opt to bank with local banks for convenience, accessibility and to avoid costs that may be associated with accessing banking services from outside their home country. The CID noted that it not unusual for customers to maintain bank accounts in their home countries and rely on internet banking or other payments services such as ATMs to access their funds and/or other banking services. This may be grounds for widening the geographic scope for banking services beyond national.
25. However, the CID noted that opting to access banking services beyond one's country of residence even though possible, may not be sustainable and may only apply to a small sample of customers that may not be representative of how ordinary customers would generally respond to a SSNIP in such circumstances.
26. Light of the above and given that the target is only active in Malawi, the CID considered the geographic scope for the provision of the retail banking services as national.
27. With respect to corporate deposits, loans, payments services, the CID considered the geographic scope as likely to be global given that corporate customers can engage their banking service providers beyond their national boundaries to effect their request. Further, corporate customer tends to have the ability to afford associated costs that come with accessing banking services beyond the limits of a single country's borders.

Conclusion of Relevant Market Definition

28. For purposes of assessing the proposed transaction, and without prejudice to future similar cases, the CID identified the following relevant markets:
 - a) provision of retail deposit services in Malawi.**
 - b) provision of retail lending services in Malawi.**

⁴ Para 44 of Case File No. CCC/MER/09/26/2021 - Standard Bank Group Limited and Liberty Holdings Limited, decision dated 20 February 2022.



- c) provision of retail payment services in Malawi.
- d) global provision of corporate deposit services.
- e) global provision of corporate lending services.
- f) global provision of corporate payment services.

Market Shares and Concentration

29. The CID noted that the transaction was not likely to change the market structure in Malawi given that the parties' activities do not overlap. Therefore, post-merger the market shares of the merged entity would remain the same as the pre-merger market shares of the target entity.
30. The above notwithstanding, the CID noted the estimated market shares of the target entity and its competitors in the provision of deposit and loans in Malawi as follows:

Table 1 – Estimated Market Share for Deposits (as at end June 2022)

Name of Bank	Market Shares (%)
Standard Bank Malawi Limited	[20 – 25] %
National Bank of Malawi	[20 – 26] %
NBS Bank Limited	[10 – 15] %
FDH Bank	[10 – 15] %
EcoBank Malawi Limited	[10 – 15] %
First Capital Bank	[5 – 10] %
CDH Investment Bank	[0 – 5] %
MyBucks	[0 – 5] %

Table 2 – Estimated Market Share for Loans (as at end June 2022)

Name of Bank	Market Shares (%)
National Bank of Malawi	[25 – 30] %
Standard Bank Malawi Limited	[20 – 25] %
First Capital Bank	[10 – 15] %
NBS Bank	[10 – 15] %
FDH Bank	[10 – 15] %
CDH Investment Bank	[5 – 10] %
MyBucks	[0 – 5] %
EcoBank Malawi Limited	[0 – 5] %



31. The CID observed that the parties did not provide market shares for the market for payment services. Further, the CID noted that the market shares for deposit and lending services were broad market shares, not disaggregated according to corporate and retail customers as per the identified relevant markets.
32. The CID considered that the above will not change the assessment of any competition effects the transaction is likely to raise given that the market structure will not change. The CID also noted that the target entity will continue to face competition from other bigger players in Malawi.
33. The CID noted that barriers to entry, even though they may exist, were not significant to deter entry into the market as witnessed from the previous merger transaction affecting the banking sector in Malawi. The CID considered that unilateral effects were not likely to arise as a result of the transaction given that the merged entity will not hold a dominant position.

Consideration of Third-Party Views

34. Submissions were received from the national competition authority of Malawi which submitted that the transaction was not likely to raise competition and public interest concerns post-merger. This is consistent with the CID's assessment, as presented above.

Determination

35. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.
36. The CID, therefore, approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 26th day of June 2023

Commissioner Dr Mahmoud Momtaz (Chairperson)

Commissioner Lloyds Vincent Nkhoma

Commissioner Islam Tagelsir Ahmed Alhasan

