



COMESA Competition Commission

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**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/08/25/2023

**Decision¹ of the 103rd Meeting of the Committee Responsible
for Initial Determinations Regarding the Merger Involving
Ukheshe International Limited and EFT Corporation Limited**

ECONOMIC SECTOR: Banking and Financial Services



13 December 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 Where possible, the information omitted has been replaced by ranges of figures or a general description.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 September 2023, the COMESA Competition Commission (the “**Commission**”) received a notification regarding the merger Involving Ukheshe International Limited (“**Ukheshe**”, together with its controlled affiliates, the “**Acquiring Firm**”) and EFT Corporation Limited (“**EFT**”, together with its subsidiaries, the “**Target Firm**”), 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

Ukheshe

4. Ukheshe is a company incorporated under the laws of England and Wales. It is a global, digital-first financial services enabler, operating as an embedded finance/BAAS (Banking as a Service) provider, and as a fintech focused digital platform to improve and address financial inclusion. It is indirectly controlled by Development Partners International LLP (“DPI”). DPI is a private equity firm based in the United Kingdom. DPI takes a long-term approach to investing in excellent and innovative companies in Africa.
5. Within the Common Market, the acquiring group operates in Burundi, Comoros, Democratic Republic of Congo (“DRC”), Egypt, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

EFT

6. EFT is a company incorporated under the laws of Mauritius. It is currently wholly owned and solely controlled by Loita Transaction Services Limited (“LTS”), a company incorporated under the Laws of Mauritius. EFT is an African focused provider of payment and switching products and services. EFT is a technology-driven organisation with a focus on all sectors of the economy capable of processing across the payments landscape. EFT’s innovative and trustworthy solutions help banks integrate, automate, and optimise their payment systems, processes, and operations. EFT products include:
 - a. hardware such as point of sale (POS) terminals/devices, physical cards and hardware security modules (as a distributor of Thales HSM);
 - b. software such as POS software, POS monitoring devices and hardware security modules software; and
 - c. associated professional services in support of these products and services.
7. Within the Common Market, the target firm operates in Eswatini, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

Jurisdiction of the Commission

8. Article 24(1) of the Regulations requires ‘notifiable mergers’ to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the “**Merger Notification Thresholds Rules**”) 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 undertakings concerned have operations in two or more Member States. The merging parties hold a combined asset in excess of the threshold of USD 50 million in the Common Market. In addition, the parties do not hold more than two-thirds of their respective aggregate 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 transaction concerns the proposed acquisition by Ukheshe of 100% of the issued share capital in, and sole control of, EFT from LTS.

COMPETITION ASSESSMENT

Consideration of the Relevant Markets

Relevant Product Market

11. The acquiring group is a provider of finance/banking as a service (“**BaaS**”) platform that enables banks, fintech companies and telecommunication companies to provide digital services such as know-your-customer or onboarding; card issuing and acquiring; and digital wallets to their customers through third-party non-banking players. BaaS entails the reconfiguration of the banking value chain by enabling third-party distributors to offer banking products and services. An example of a service offered by the acquirer is an e-wallet platform that allows underbanked customers to transact in a convenient, easy, and affordable way². The digital wallet allows customers or merchants to pay and get paid. The platform also has a seamless integration with other services offered by the target including airtime or data purchases, bill payments, and insurance payments.

² <https://www.ukheshe.com/our-solutions>



12. The Target Firm provides electronic payment processing services including payment and switching products and services which help banks integrate, automate and optimise payment systems, processes, and operations. EFT's products and services include: (i) provision of hardware such as Point of Sale ("POS") terminals/devices, physical cards, and hardware solution modules; (ii) provision of software i.e., POS software, POS monitoring devices, and hardware security modules software; and (iii) provision of associated professional services in support of the products and services provided.
13. The CID observed that the activities of the merging parties are not similar, despite both being involved in financial services. The CID considered that it was unlikely for the transaction to raise horizontal overlaps as such the market structure is not likely to be affected. Further, the parties' activities are not vertically related as such no vertical concerns are likely to arise from the proposed transaction. For purposes of defining the relevant market, the CID limited the assessment to the activities of the target undertaking as follows:
14. The CID noted that the payment value chain involves two or more parties that transact funds through a payment scheme³. The basic system has a consumer on one hand and a merchant or payee on the other but as users become more demanding and payment methods become electronic and digital, more players are getting involved in the system. The key players in the value chain of payments include the customer, the merchant, the issuer, the acquirer, and the card network.
15. The roles for the various players include the following:
 - a) Customers, the cardholders who are the end-users who initiate payments with merchants.
 - b) Merchants, businesses that accept card payments and must open a merchant account with an acquiring bank which it uses for settling funds. Merchants are the customers of the payment value chain due to their interest in receiving payments from the cardholders and need to buy the service from the acquiring bank.
 - c) Issuer, is an issuing bank/financial institution that issues cards to customers, provides them with credit or debit accounts, and makes payments on their behalf. Issuers manage payments' authentication, meaning they receive the transaction information from the acquiring bank and respond by approving or declining the transaction.
 - d) Acquirer, is the bank or financial institution that provides merchants with the means to accept card payments. The acquiring bank captures the transaction

³ <https://switchpayments.com/learn/609ceb4366cfb30013d58cdb>



information and routes it through the appropriate card network to the cardholders' issuing bank for approval which is often done through a third-party acquirer processor. After collecting the payment, the acquirer settles the amount in the merchant account.

- e) Card network, is a system that provides the means for making card transactions possible, and in exchange, acquirers and issuers pay a license fee for this service. Card networks pass information and settle funds between the acquirer and the issuer.
16. Within the payment value chain, a payment service provider connects merchants with multiple acquirers and payment methods such as credit cards, direct debit, bank transfers, and other value-added services. They provide the merchant with a merchant account and the technology to ensure that businesses can collect and manage their payments consistently, including payment gateways, back-offices, plugins, and anti-fraud systems. Payment service providers' most prominent value-added feature is their ability to streamline the onboarding process—serving as distributors for acquirers—and to offer a turnkey solution for payments. This means merchants can create one merchant account only and still get access to multiple payment schemes and a centralized reconciliation process.
17. The CID observed that according to the activities of the target which include supplying, and managing hardware that facilitates payments (i.e., POS machines and physical cards and related software and auxiliary services), it appears the services relate to payment processing services. The CID considered that the services can be segmented into narrower markets given the unique purpose that each is intended for. For instance, hardware devices and software are clearly distinguishable as per the characteristics of each product or service and the intended purpose of each. Similarly, the associated services that the Target Firm provides can be construed as different from the hardware and software services. Despite these distinctions, the CID considered that a broad categorisation of the relevant product market as the provision of payment processing services is sufficient for the purpose of assessing this transaction given that the transaction is not likely to result in a change in the market structure.
18. The CID therefore considered the relevant market as the provision of payment processing services.

Relevant Geographical Market

19. The CID observed that since payment services are provided through various digital platforms and over the internet, competition in these markets is likely to take place beyond national markets. Players operate on a cross-border basis and customers



are equally able to access the services beyond national market. Once a payment service provider supplies merchants with the hardware devices and related software, the merchants are in a position to serve a range of customers who may use different modes of payment such as Visa Card or Mastercard or internet payment platforms. For this reason, the CID considered the market to be broader than national.

20. The CID considered that given the proposed transaction does not raise any horizontal overlaps, the geographic scope of the relevant product market can be left open as any alternative geographic scope was not likely to alter the competitive assessment of the transaction.

Conclusion on Relevant Markets

21. On the basis of the foregoing assessment, and without prejudice to similar future cases, the CID identified the relevant market as the provision of **payment processing services in a geographic market which is at least national.**

Market Shares and Concentration

22. The CID noted that within the Common Market, the largest suppliers of the payment solution services include:
 - i. Network International
 - ii. Liquid Payments (TPS)
 - iii. Interswitch Group
 - iv. PEX International
 - v. BPC.
23. The CID further noted that the Target Firm holds a market share of less than 3 % in the relevant market. The CID considered that the transaction was not likely to raise any competition concerns in the Common Market given the market structure was unlikely to be altered, post-merger. Further, the market is characterised by the presence of competitors who will continue offering competitive pressure to the merged entity.

Consideration of Third-Party Views

24. The CID considered submissions from the national competition authorities of Egypt, Ethiopia, Kenya, Malawi, Mauritius, Seychelles, Zambia, and Zimbabwe which did not raise any concerns in relation to the transaction, which submissions are consistent with the CID's findings, as discussed above.



Determination

25. Based on the circumstances of the case and having regard to the foregoing assessment, 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. The CID, therefore, approved this transaction.
26. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 13th day of December 2023

Commissioner Dr Mahmoud Momtaz (Chairperson)

Commissioner Lloyds Vincent Nkhoma

Commissioner Islam Tagelsir Ahmed Alhasan

