



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM151Aug18

In the matter between

27Four Holdings (Pty) Ltd

Primary Acquiring Firm

And

Prescient Life Ltd

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 12 September 2018
Order Issued on	: 12 September 2018
Reasons Issued on	: 25 September 2018

REASONS FOR DECISION

Approval

- [1] On 12 September 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving 27Four Holdings (Pty) Ltd ("27Four") and Prescient Life Ltd ("Prescient"), hereinafter collectively referred to as the merging parties.
- [2] The reasons for approval of the proposed transaction follow.

Parties to the transaction

Primary Acquiring Firm

- [3] 27Four is a financial service provider and a multi-manager for institutional and retail investors. As a multi-manager, 27Four acts as a conduit between its investor clients and a number of asset managers. 27Four also offers customised fiduciary management solutions to retirement funds.
- [4] 27Four is controlled by a private individual and has a total of five subsidiaries.

Primary Target Firm

- [5] Prescient is an investment-linked life insurer which offers a range of investment products to its policyholders and third parties. Prescient holds a linked-life licence and is authorised to offer an investment administration platform through which asset managers, multi-managers and financial intermediaries are able to manage life-pooled portfolio's on behalf of their clients.¹
- [6] Prescient is controlled by Prescient Life Holdings (Pty) Ltd and ultimately controlled by Stellar Capital Partners Ltd, a company listed on the Johannesburg Stock Exchange. Prescient does not control any firm.

Proposed transaction

- [7] In terms of the *Binding Heads of Agreement*, 27Four will acquire 100% of the issued share capital in Prescient and will therefore control Prescient post-merger.

¹ Asset managers and multi-managers manage money on behalf of investors and invest the funds into income generating assets. If a multi-manager wants to pool its clients' investments into one portfolio, it must hold a linked-life licence. Due to the difficulty in obtaining a linked-life licence, the regulatory permits multi-managers to lease out this licence from a registered life insurer. This enables multi-managers to conduct this kind of investment and receive legal protection of the administration of the investment.

Impact on competition

- [8] The Competition Commission ("Commission") found no horizontal overlap between the activities of the merging parties since 27Four does not hold a linked-life licence nor does it supply it.
- [9] The Commission did however identify a vertical relationship between the merging parties. Prescient leased its investment-linked life licence to 27Four under what is termed in the industry as a 'white-labelling' agreement. This agreement allowed 27Four to offer its clients investment policies, underwritten by Prescient and pool their investments.
- [10] The Commission found that the proposed transaction is unlikely to raise foreclosure concerns as Prescient has a market share of less than 1% in provision of linked-life licence leasing and will continue to face competitive constraints from the larger market participants. The Commission therefore concluded that the proposed transaction will not substantially prevent or lessen competition in any relevant market. We see no reason to differ from this conclusion.

Public interest

- [11] The merging parties submitted that the proposed transaction will not have any negative effects on employment in South Africa.
- [12] Prior to the proposed transaction, Prescient had a total of 11 employees who performed administration duties.² In July 2018, 10 of the 11 employees were transferred to Prescient's sister company, Prescient Fund Services (Pty) Ltd ("Prescient Fund"). The remaining employee, Mr Mohammed, will be transferred to the merged entity. The merging parties have agreed that post-merger, Prescient Fund will continue to administer the policyholders' policies for a fee.

² Prescient's administration is two-fold. There is portfolio administration and policyholder administration. Under portfolio administration, the employees keep track of the assets and record the financial transactions of the assets that are held in portfolios on the life insurer's balance sheet. In terms of policyholder administration, the employees keep record of its policyholders and the benefits that are due to them in terms of the policy.

[13] The Commission contacted Mr Mohammed to ensure that his employment terms were not adversely affected by proposed transaction. Mr Mohammed confirmed that there won't be any changes to his employment contract or any benefits thereof. The Commission therefore concluded that the proposed transaction will not result in an adverse impact on employment, or have any impact on other public interest concerns.

Conclusion

[14] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Norman Manoim

25 September 2018
Date

Ms Andiswa Ndoni and Mrs Medi Mokuena concurring.

Tribunal Researcher:	Hlumelo Vazi
For the merging parties:	N Mia of Cliffe Dekker Hofmeyr
For the Commission	B Makgobo and R Maphwanya