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PUBLIC VERSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

Nexi S.p.A.
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Subject: **Case M.10075 – Nexi/Nets**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 1 February 2021, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Nexi SpA ("Nexi", Italy or the "Notifying Party") intends to acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control over Nets A/S, Denmark, and the Concardis Payment Group, Germany (together "Nets"). Together, Nexi and Nets are referred to below as the "Parties".

1 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

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1. THE PARTIES

(2) Nexi provides payment services for merchants, cardholders and banks, such as merchant acquiring services, the provision of point of sale ("POS") terminals and related services, smart payment cards, automated cash handling, clearing services for payments and digital corporate services. Nexi is jointly controlled by Advent International Corporation ("Advent", USA) and Bain Capital Investors LLC ("Bain Capital", USA).

(3) Nets provides, among other product and services, merchant acquiring services, POS terminals and enabled payment gateways, card processing services, and smart payment cards. Nets is currently solely controlled by funds managed by Hellman & Friedman LLC ("Hellman & Friedman", USA).

2. THE OPERATION

(4) The proposed concentration will be structured as follows. Nets TopCo 2, an entity controlling Nets will be merged with and into Nexi, which will continue as the surviving entity (the "Transaction"). Nexi will continue to be controlled by Advent and Bain Capital, whereas funds managed by Hellman & Friedman will only acquire a non-controlling minority shareholding in Nexi.

(5) As a result, Nexi will acquire sole control over Nets. The Transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(6) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (Nexi:[3] EUR [BUSINESS SECRET – FINANCIAL INFORMATION]; Nets: EUR 1 019 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Nexi: EUR [BUSINESS SECRET – FINANCIAL INFORMATION]; Nets: EUR [BUSINESS SECRET – FINANCIAL INFORMATION]). None of the two Parties achieve more than two-thirds of their aggregate EU-wide turnover in one and the same Member State.

(7) The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

4. RELEVANT MARKETS

4.1. Introduction and the Parties' activities

(8) The Parties are both active in the provision of financial products and services, primarily in Europe, although with a different geographic footprint. While Nexi's activities are focused on Italy, where the company generated over [90-100]% of its

3 Including Advent and Bain Capital.

worldwide turnover in 2019 and in 2020, Nets is mainly active in the Nordic region,[4] Germany, and Central and Eastern Europe.

(9) The Parties' activities overlap in card payment services, as well as in the manufacture and supply of personalised smart payment cards.

4.1.1. Card Payment Systems

(10) Card payment systems allow a cardholder to use a payment card, such as a debit or a credit card, to pay for products or services. Through these systems, the merchants are connected with financial institutions, namely the bank issuing the card and the bank endorsing the cashless payment to the benefit of the merchant, to execute the entire transaction from the moment of payment until the merchant's account is credited.

(11) The Parties are both active in the following services related to card payment systems:

(a) Merchant acquiring: a set of services that enable merchants to accept payment cards at their physical POS or online, and receive the funds from card payments.

(b) Acquiring processing: technical services relating to card-based transactions on the merchant side, which involve in particular the routing of payments towards the issuer processor.

(c) The provision and management of POS terminals: POS terminals are physical devices, namely card readers in which a payment card is introduced when making a payment transaction in-store, which are often provided by financial companies alongside related services including the management of a terminal or terminal fleet.

4.1.2. Smart Payment Card Manufacture, Supply and Personalisation

(12) Smart payment cards are cards with embedded microprocessor chips.[5] They are purchased by banks for use by the end-customer. These cards are first manufactured in a non-personalised format (i.e., only having the logo of the bank and/or the payment card brand). The cards are subsequently personalised, i.e., by stamping the name and account number of the cardholder and by loading his/her electronic data onto the chip.

(13) Nexi does not manufacture smart payment cards but offers personalisation services for smart payment cards in Italy.

(14) Nets does not manufacture smart payment cards. Nets only has limited presence in personalisation services in the EEA, operating one personalisation facility in Zagreb, Croatia, from which it provides personalisation services for smart payment cards in Croatia, Hungary, Slovakia, Slovenia, and Romania. Nets acquired this facility in 2016 when it acquired Intesa Sanpaolo Card d.o.o. (Intesa Sanpaolo ("ISP") Group's

4 For the purposes of this decision, the Nordic region includes Denmark, Finland, Norway, and Sweden.

5 These cards are called "smart" to be distinguished from traditional payment cards which used to have a magnetic stripe (and no microprocessor chip). Magnetic stripe technology is today deemed "*obsolete*" (see Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraph 21).

in-house personalisation services provider).[6] According to the Notifying Party, [BUSINESS SECRET – STRATEGIC DECISION].[7] Nets' activities in smart card personalisation focus [BUSINESS SECRET – STRATEGIC DECISION.

(15) IDEMIA, a portfolio company solely controlled by Advent (which jointly controls Nexi alongside Bain Capital) manufactures (non-personalised) smart payment cards that it offers worldwide and also offers personalisation services in several countries in the EEA.

4.2. Market Definitions

4.2.1. Merchant acquiring

4.2.1.1. Product market definition

(A) The Commission's precedents

(16) The Commission has previously considered a relevant product market for merchant acquiring services. The Commission assessed whether the merchant acquiring market could be further subdivided on the basis of: (i) types of payment card schemes (international or domestic); (ii) payment card brands (e.g., Visa or Mastercard); (iii) type of payment card (debit or credit); (iv) physical payment via a POS terminal ("POS merchant acquiring") or web-based payment ("e-commerce merchant acquiring"); and (v) wholesale merchant acquiring (to banks) and retail merchant acquiring (to merchants) in Italy.[8]

(17) In *Worldline/Ingenico*, the Commission found that POS merchant acquiring and e-commerce merchant acquiring constitute separate product markets. The question whether the market for POS merchant acquiring services should be sub-segmented further was left open.[9] In *Nexi/ISP*, the Commission found that separate product markets for wholesale and retail merchant acquiring are appropriate for Italy.[10]

(B) The Notifying Party's view

(18) The Notifying Party agrees that retail merchant acquiring and wholesale merchant acquiring belong to separate product markets in Italy. The Notifying Party considers that further segmentations of the retail merchant acquiring activity are no longer relevant in light of the evolution of the market and the high degree of substitutability

6 Reply to RFI 2, question 2.

7 Form CO, Annex 23, paragraph 3.

8 See Cases COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraphs 15 et seq; COMP/M.9759 - *Nexi/Intesa Sanpaolo (Merchant Acquiring Business)*, decision of 26.6.2020, paragraphs 35 et seq; COMP/M.7873 - *Worldline/Equens/Paysquare*, decision of 20.4.2016, paragraphs 19 et seq; COMP/M.7241 - *Advent International/Bain Capital Investors/Nets Holding*, decision of 8.7.2014, paragraphs 12 et seq; COMP/M.7711 - *Advent International/Bain Capital/ICBPI*, decision of 17.9.2015, paragraphs 23 et seq; COMP/M.6956 - *Telefonica/Caixabank/Banco Santander*, 14.8.2013, paragraph 46; and COMP/M.5241 - *American Express/Fortis/Alpha Card*, decision of 3.10.2008, paragraphs 28 et seq.

9 See, for example, Case COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraph 36.

10 See Case COMP/M.9759 - *Nexi/Intesa Sanpaolo (Merchant Acquiring Business)*, decision of 26.6.2020, paragraph 27.

between payment card schemes, card brands, card types, and the blurring of the distinction between POS and e-commerce merchant acquiring.[11]

(C) The Commission's assessment

(19) In the present case, there is no reason to depart from the recent decisional practice described above. Therefore, the Commission considers that, for the purposes of this decision, (i) separate relevant markets exist for wholesale and retail merchant acquiring in Italy;[12] (ii) separate relevant markets exist for POS merchant acquiring and e-commerce merchant acquiring;[13] and (iii) it can be left open whether any additional segmentations are relevant for POS merchant acquiring. Ultimately, the market segmentation does not materially affect the Commission's assessment of the Transaction in relation to merchant acquiring.

4.2.1.2. Geographic market definition

(A) The Commission's precedents

(20) In *Worldline/Ingenico*, the Commission considered that (i) the market for the provision of POS merchant acquiring services (and its possible sub-segmentations regarding credit/debit cards, card brands, and international/domestic card network schemes) is national in scope and (ii) the market for the provision of e-commerce merchant acquiring services is at least EEA-wide in scope.[14] In *Nexi/ISP*, the Commission considered the distinction between wholesale and retail merchant acquiring as being relevant to Italy but eventually left open the question whether the geographic scope of this market is national or EEA-wide.[15]

(B) The Notifying Party's view

(21) The Notifying Party considers that the geographic market for merchant acquiring, including for POS merchant acquiring, is wider than national in particular due to (i) the EU legislation which harmonises the European payments landscape, such as the Second Payment Service Directive ("PSD2"),[16] the Interchange Fees Regulation,[17] and the creation of a Single Euro Payments Area ("SEPA")[18] and (ii) technological changes, including the introduction of mobile wallets.[19]

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11 Form CO, paragraphs 107 et seq.

12 Nets is not active in wholesale merchant acquiring services and this market is not further discussed in the remainder of the decision.

13 As the market for e-commerce merchant acquiring is not affected, all merchant acquiring markets assessed in this decision refer to POS merchant acquiring.

14 See Cases COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraph 48.

15 See Case COMP/M.9759 - *Nexi/Intesa Sanpaolo (Merchant Acquiring Business)*, decision of 26.6.2020, paragraphs 50 et seq.

16 Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, OJ L 337, 23.12.2015, p. 35.

17 Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, OJ L 123, 19.05.2015, p. 1.

18 Regulation (EU) 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro, OJ L 94, 30.03.2012, p. 22.

19 Form CO, paragraphs 115 et seq.

(C) The Commission's assessment

(22) In the present case, there is no reason to depart from the decisional practice described above. Therefore, the Commission considers that, for the purposes of this decision, the market for POS merchant acquiring (and its possible sub-segments) is national in scope, whereas the market for e-commerce merchant acquiring services is at least EEA-wide in scope. For the purposes of this decision, the Commission also assesses the market for retail POS merchant acquiring in Italy.[20]

4.2.2. Acquiring processing

4.2.2.1. Product market definition

(A) The Commission's precedents

(23) The Commission previously considered a distinct market for card processing and within that market discussed the existence of separate markets for acquiring processing services and issuing processing services.[21]

(24) Within acquiring processing, the Commission discussed the possibility to segment the market based on (i) the payment card scheme (domestic/international) and (ii) the platform, distinguishing between physical POS terminals and web-enabled interfaces (e-commerce). The exact market definition was ultimately left open.[22]

(25) In a recent decision, the Commission considered that acquiring processing is a separate product market and that no further segmentation is appropriate.[23]

(B) The Notifying Party's view

(26) The Notifying Party agrees that card processing should be segmented between acquiring processing and issuing processing, in particular because each activity takes place through different platforms and are aimed at different customers. The Notifying Party considers that it would not be appropriate to make a distinction between POS and e-commerce transactions in acquiring processing.[24]

(C) The Commission's assessment

(27) In the present case, the Commissions considers that there is no reason to depart from its most recent decisional practice described above. Therefore, the Commission considers that, for the purposes of this decision, acquiring processing is a separate product market and that no further segmentation is necessary.

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20 An EEA-wide market for retail POS merchant acquiring services would not be affected by the proposed Transaction and is not discussed in the remainder of the decision.

21 See Cases COMP/M.9452 - *Global Payments/TSYS*, decision of 16.9.2019, paragraphs 17-25; COMP/M.7873 - *Worldline/Equens/PaySquare*, decision of 20.4.2016, paragraphs 33-37; and M.7241 - *Advent International/Bain Capital Investors/Nets Holding*, decision of 8.7.2014, paragraph 31-36.

22 See Cases COMP/M.8073 - *Advent International/Bain Capital/Setefi Services/Intesa Sanpaolo Card*, decision of 10.8.2016, paragraphs 22-27; and COMP/M.7241 - *Advent International/Bain Capital Investors/Nets Holding*, decision of 8.7.2014, paragraph 36.

23 See Case COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraph 87.

24 Form CO, paragraphs 154 et seq.

4.2.2.2. Geographic market definition

(A) The Commission's precedents

(28) In its decisional practice, the Commission had previously left open whether the provision of payment card processing services, in general, and of acquiring processing services, in particular, is national or EEA-wide in scope.[25] In a recent decision, however, the Commission found that the market for acquiring processing services should be considered as EEA-wide in scope.[26]

(B) The Notifying Party's view

(29) The Notifying Party considers that payment card processing, including acquiring processing, is at least EEA-wide in scope, in particular due to the increasingly pan-European nature of players and regulatory evolutions including PSD2 and the creation of SEPA, which led to more standardisation.[27]

(C) The Commission's assessment

(30) In the present case, the Commission considers that, for the purposes of this decision, it can be left open whether the market for acquiring processing services should be considered as national or EEA-wide in scope.

4.2.3. Provision and management of POS terminals

4.2.3.1. Product market definition

(A) The Commission's precedents

(31) In its decisional practice, the Commission had defined a market for the provision of POS terminals and related services as a market separate from the market for merchant acquiring services. The Commission considered whether the market for the provision of POS terminals should be further subdivided by type of POS terminal (traditional POS terminals, mPOS[28] or smartPOS terminals) or based on customer size. Ultimately, the Commission left the precise definition open.[29] In a recent decision, the Commission distinguished (i) the manufacture and supply of POS terminals from (ii) the provision and management of POS terminals, and considered that a segmentation based customer size or on type of POS terminal was not necessary for the provision and management of POS terminals.[30]

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25 See COMP/M.9452 - *Global Payments/TSYS*, decision of 16.09.2019, paragraphs 28-29; COMP/M.7873 - *Worldline/Equens/PaySquare*, decision of 20.04.2016, paragraphs 112-114; and M.7241 - *Advent International/Bain Capital Investors/Nets Holding*, decision of 8.07.2014, paragraphs 37-41.

26 See Case COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraph 92.

27 Form CO, paragraphs 162 et seq.

28 mPOS card readers connect to the merchant's smartphone or tablet via Bluetooth and an app on that smartphone or tablet then connects to the merchant acquirer. See Cases COMP/M.9357 - *FIS/WorldPay*, decision of 5.7.2019, paragraph 28. Smart POS are devices equipped with a touch screen that is easily programmable and based on operating systems such as Android or iOS. This device combines the functionality of a smartphone with a payment device.

29 See Cases COMP/M.9357 - *FIS/WorldPay*, decision of 5.7.2019, paragraphs 36-38; and COMP/M.9387 – *Allied Irish Banks/First Data Corporation/Semeral*, decision of 23.10.2019, paragraphs 11-15.

30 See Case COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraph 64.

(B) The Notifying Party's view

(32) The Notifying Party considers that the provision of POS terminals and related services forms part of a larger market for the provision of payment acceptance solutions which encompasses POS terminals and payment gateways/web-enabled interfaces.[31]

(C) The Commission's assessment

(33) In the present case, there is no reason to depart from the decisional practice described above. Therefore, the Commission considers that, for the purposes of this decision, the relevant market is the provision and management of POS terminals which does not need to be further segmented.[32]

4.2.3.2. Geographic market definition

(A) The Commission's precedents

(34) In its previous decisions, the Commission considered that the geographic market definition for the provision and management of POS terminals is likely national in scope.[33]

(B) The Notifying Party's view

(35) The Notifying Party considers that the market for the provision of POS terminals and related services is likely EEA-wide in scope, due to the lack of barriers to entry across countries and for all the reasons set out in Section 4.2.1.2(B) above regarding merchant acquiring.[34]

(C) The Commission's assessment

(36) In the present case, there is no reason to depart from the decisional practice described above. Therefore, the Commission considers that, for the purposes of this decision, the market for the provision and management of POS terminals should be considered as national in scope.

31 Form CO, paragraphs 123 et seq.

32 Neither Nexi nor Nets are active in the manufacturing and supply of POS terminals.

33 See Cases COMP/M.9776 - *Worldline/Ingenico*, decision of 30.9.2020, paragraphs 65-73; COMP/M.9387 – *Allied Irish Banks/First Data Corporation/Semeral*, decision of 23.10.2019, paragraphs 16-18; COMP/M.9357 - *FIS/WorldPay*, decision of 5.07.2019, paragraphs 39-41; and COMP/M.7873 - *Worldline/Equens/PaySquare*, decision of 20.04.2016, paragraphs 128-134.

34 Form CO, paragraphs 133 et seq.

4.2.4. Smart payment cards

4.2.4.1. Product market definition

(A) The Commission's precedents

(37) Smart payment cards used by financial institutions embed microprocessor chips that store and protect cardholders' data and provide embedded security features not available with traditional magnetic stripe cards.[35]

(38) The Commission previously found that the market for the manufacture and supply of smart payment cards to financial institutions is separate from the overall market for secure plastic cards.[36]

(39) In *Advent International/Morpho*,[37] the Commission observed that most banks source non-personalised cards and card personalisation services from the same supplier. Thus, the Commission considered a relevant product market that includes both the manufacture and supply of non-personalised smart payment cards and their personalisation.[38] Nonetheless, the Commission also highlighted the differences between these two services. The Commission ultimately left open whether the smart payment card market can be segmented into the (i) manufacture and supply of non-personalised smart payment cards and (ii) personalisation of smart payment cards.

(B) The Notifying Party's view

(40) The Notifying Party considers that there is one single relevant market including the manufacture/supply and personalisation of smart payment cards. The Notifying Party adds that it is not necessary to distinguish between the manufacture and supply of non-personalised smart payment cards and the personalisation of these cards. According to the Notifying Party, this is the case because (i) all major manufacturers of non-personalised smart payment cards (i.e. Thales, G+D, IDEMIA, and AustriaCard) also offer personalisation services and (ii) issuers typically procure both card manufacturing and card personalisation from the same provider.[39]

(41) In any event, the Notifying Party submits that the relevant product market definition for smart payment card manufacture/supply and personalisation can be left open, as the Transaction does not raise competition concerns under any plausible market definition (i.e., one single market including both manufacture/supply and personalisation or separate markets for each of manufacture/supply and personalisation of smart payment cards).

(C) The Commission's assessment

(42) The results of the Commission's market investigations did not confirm the Notifying Party's arguments. On the contrary, the Commission notes that:

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35 Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraph 15.

36 See Commission decision of 19 May 2006, *Axalto/GemPlus*, M.3998, paragraph 17 and Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraphs 15-20.

37 This concerns that transaction that led to the creation of IDEMIA.

38 Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraphs 20, 21, and 25.

39 Form CO, paragraph 141.

(a) Most customers indicated that they do not source non-personalised smart payment cards from the same company they use for card personalisation;[40]

(b) Customers do take into account different considerations when selecting a supplier of non-personalised smart payment cards and when choosing the provider of personalisation services. As one competitor puts it, "[c]*ustomers require fast turnaround, quick delivery of personalized cards (one or two working days maximum) at reasonable delivery costs... card manufacturers are not bound by strict delivery schedules and can ship cards across countries*".[41]

(c) There are several market players who only offer personalisation services (including OTP, Global Payments, and Euro-P3C). In the market investigation, these players indicated that it would be impossible or very hard to start manufacturing non-personalised cards.[42] Nexi and Nets also offer personalisation services only.

(d) As the Notifying Party stated, there are several market players that manufacture non-personalised cards and also offer personalisation services (e.g. G+D, AustriaCard, and Thales as well as IDEMIA). However, the Commission considers that this does not mean in itself that the manufacture/supply and personalisation of smart payment cards belong to the same market. Rather, all of these players manufacture certain volumes of non-personalised cards which are made available to other companies for personalisation. Moreover, many of these market players have separate facilities for the manufacture and for the personalisation of cards.[43]

(43) In light of the above, for the purposes of this decision, the Commission considers that there are separate relevant product markets for the (i) manufacture and supply of non-personalised smart payment cards and (ii) personalisation of smart payment cards.

4.2.4.2. Geographic market definition

(A) The Commission's precedents

(44) In *Advent International/Morpho*, the Commission found that a plausible market for manufacture and supply of non-personalised cards is broader than national, namely EEA-wide or even global in scope. Moreover, in that decision, the Commission noted that a plausible market for smart card personalisation is likely national or possibly regional in scope (e.g., for EEA countries lacking domestic card schemes). The reason is that once personalised, smart payment cards need to be delivered within days to the end-customer and thus cannot be shipped from far away.[44] The

40 Questionnaire Q2 to smart payment cards customers, question 6.

41 Notes from call with competitor, 27 January 2021, paragraphs 6 and 9.

42 Questionnaire Q1 to smart payment cards competitors, question 4.

43 Questionnaire Q1 to smart payment cards competitors, question 3.

44 Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraphs 43-46.

Commission ultimately left open whether the relevant market for personalisation of smart payment cards is (i) EEA-wide or (ii) national in scope.[45]

(B) The Notifying Party's view

(45) The Notifying Party considers that the relevant market for manufacture and supply of non-personalised smart payment cards is at least EEA-wide in scope. The Notifying Party indicates that: (i) there are no material technological differences in the smart payment cards supplied across the EEA; (ii) several manufacturers of non-personalised cards manufacture in one or two facilities and ship the cards across the EEA; and (iii) large customers tend to purchase cards at group level to achieve the best possible terms.[46]

(46) The Notifying Party also suggests that the relevant market for personalisation services regarding smart payment cards is also EEA-wide in scope or at least regional (within the EEA).[47] The Notifying Party submits that while transportation costs and time to market play a key role for smart payment card personalisation services, this does not mean that the supplier needs to be present in the same country as the customer. According to the Notifying Party, several players offer services to customers in one EEA country, while their personalisation centre is based in a neighbouring country (e.g., Nets, Thales, AustriaCard, and Global Payments).

(C) The Commission's assessment

(47) Regarding the manufacture and supply of non-personalised smart payment cards, the results of the market investigation confirm the arguments of the Notifying Party. The Commission notes the following:

(a) The majority of customers indicated that they source non-personalised smart payment cards through competitive bidding processes at EEA-level or through bilateral agreements at EEA-level.[48]

(b) The same global players (i.e., Thales, G+D, IDEMIA, and AustriaCard) are active in several EEA Member States offering non-personalised smart payment cards. All of them supply customers across the EEA, while they have manufacturing facilities only in a sub-set of EEA countries. For example, G+D offers non-personalised smart payment cards across the EEA (and beyond) operating one facility in Spain.[49] AustriaCard offers non-personalised smart payment cards across the EEA (and beyond) operating three facilities, one in Austria, one in Romania, and one in Andorra.[50]

45 Commission decision of 19 April 2017, *Advent International/Morpho*, Case M.8258, paragraph 47.

46 Form CO, paragraph 148.

47 Form CO, paragraphs 146-147.

48 Questionnaire Q2 to smart payment cards customers, question 15.

49 Questionnaire Q1 to smart payment cards competitors, question 5.

50 Questionnaire Q1 to smart payment cards competitors, question 5.

(c) As one competitor put it, "[t]*he conditions of competition for card manufacture and supply are fairly similar across the EEA but the relative strength of each competitor varies from country to country...*".[51]

(48) The market investigation was inconclusive regarding the geographic scope of the relevant market for smart payment card personalisation services (namely, whether it is national or regional):

(a) On the one hand, to comply with the strict time requirements of smart payment card personalisation, several suppliers offer these services from centres that are located in the same country as the customer. According to one competitor, "*[w]hen replacing lost/stolen cards, or for new cards, the personalization center needs to personalize and ship the card the same or the next day after receiving the bank's request for replacement. The card is generally shipped directly to the card holder. Given these same-day or next-day delivery requirements..., personalization services are often provided from centers located in the country of the customer. This is the general rule for all big countries.*"[52] In the market investigation, the majority of responding competitors stated that "*the conditions of competition that [they] face differ among the various EEA countries*".[53]

(b) On the other hand, for customers based in smaller countries, personalisation services can also be provided from neighbouring countries.[54] This is the case in Central and Eastern Europe. For example, Nets serves customers in Croatia, Hungary, Romania, and Slovakia through its personalisation centre in Croatia. AustriaCard offers services to customers in Czechia, Slovenia and Slovakia through its personalisation centre in Austria.[55]

(49) In light of the above, for the purposes of this decision, the Commission considers that the relevant market for the manufacture and supply of non-personalised smart payment cards is at least EEA-wide in scope. The exact geographic scope of the market for smart payment card personalisation services can be left open, since the Transaction does not give rise to serious doubts as to its compatibility with the internal market even on the basis of the narrowest plausible geographic market definition, i.e., at national level.

5. LEGAL FRAMEWORK

(50) Under Articles 2(2) and 2(3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position.

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51 Questionnaire Q1 to smart payment cards competitors, question 6.1.

52 Notes from call with competitor, 26 January 2021, paragraphs 9-10.

53 Questionnaire Q1 to smart payment cards competitors, question 7.

54 Questionnaire Q1 to smart payment cards competitors, question 7.2.

55 Notes from call with competitor, 27 January 2021, paragraph 7.

5.1. Horizontal mergers

(51) A merger can entail horizontal effects. In this respect, the Commission Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("the Horizontal Merger Guidelines")[56] distinguish between two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely (a) by eliminating important competitive constraints on one or more firms, which consequently would have increased market power, without resorting to coordinated behaviour (non-coordinated effects); and (b) by changing the nature of competition in such a way that firms that previously were not coordinating their behaviour are now significantly more likely to coordinate and raise prices or otherwise harm effective competition (coordinated effects).[57]

5.2. Non-horizontal mergers

(52) In addition, a merger can also entail non-horizontal effects when it involves companies operating at different levels of the same supply chain or in closely related markets. Pursuant to the Commission Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings (the "Non-Horizontal Merger Guidelines")[58], non-horizontal mergers do not entail the loss of direct competition between merging firms in the same relevant market and provide scope for efficiencies. However, there are circumstances in which non-horizontal mergers may significantly impede effective competition. This is in particular the case if they give rise to foreclosure.[59] In the assessment of non-horizontal mergers, the Commission distinguishes between two broad types of such mergers: vertical mergers and conglomerate mergers.

(53) Vertical mergers involve companies operating at different levels of the supply chain. For example, when a manufacturer of a certain product (the 'upstream firm') merges with one of its distributors (the 'downstream firm'), this is called a vertical merger.

(54) Conglomerate mergers are mergers between firms that are in a relationship that is neither horizontal (as competitors in the same relevant market) nor vertical (as suppliers or customers). In practice, the Commission focusses on mergers between companies that are active in closely related markets (e.g. mergers involving suppliers of complementary products or products that belong to the same product range). In assessing potential vertical effects of a merger, the Commission analyses whether a merger results in foreclosure so that actual or potential rivals' access to supplies or markets is hampered or eliminated as a result of the merger, thereby reducing these companies' ability and/or incentive to compete. Such foreclosure may discourage entry or expansion of rivals or encourage their exit. Foreclosure thus can be found even if the foreclosed rivals are not forced to exit the market; it is sufficient that the rivals are disadvantaged and consequently led to compete less effectively. Such foreclosure is regarded as anti-competitive where the merging companies — and, possibly, some of its competitors as well — are as a result able to profitably increase the price charged to consumers.

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56 OJ C 31, 5.2.2004, p. 5.

57 Horizontal Merger Guidelines, paragraph 22.

58 OJ C 265, 18.10.2008, p. 6.

59 Non-Horizontal Merger Guidelines, paragraph 18.

(55) The Non-Horizontal Merger Guidelines distinguish between two forms of vertical foreclosure.[60] The first is where the merger is likely to raise the costs of downstream rivals by restricting their access to an important input (input foreclosure). The second is where the merger is likely to foreclose upstream rivals by restricting their access to a sufficient customer base (customer foreclosure).

(56) In assessing vertical foreclosure, the Commission assesses (i) whether the combined entity would have the ability to engage in foreclosure; (ii) whether the combined entity would have the incentive to do so; and (iii) what would the overall impact of such foreclosure strategy be on effective competition in the affected markets.

(57) The main concern in the context of conglomerate mergers is also that of foreclosure.[61] The combination of products in related markets may confer on the combined entity the ability and incentive to leverage a strong market position from one market to another by means of tying or bundling or other exclusionary practices. Tying and bundling as such are common practices that often have no anticompetitive consequences. Companies engage in tying and bundling in order to provide their customers with better products or offerings in cost-effective ways. Nevertheless, in certain circumstances, these practices may lead to a reduction in actual or potential rivals' ability or incentive to compete. This may reduce the competitive pressure on the combined entity allowing it to increase prices.

(58) In assessing the likelihood of such a scenario, the Commission examines, first, whether the merged firm would have the ability to foreclose its rivals, second, whether it would have the economic incentive to do so and, third, whether a foreclosure strategy would have a significant detrimental effect on competition, thus causing harm to consumers. In practice, these factors are often examined together as they are closely intertwined.

6. OVERVIEW OF AFFECTED MARKETS[62]

(59) Nexi and Nets are both active in merchant acquiring services; acquiring processing services; the provision and management of POS terminals; and the personalisation of smart payment cards. Nexi is jointly controlled by Advent, which solely controls IDEMIA. IDEMIA manufactures non-personalised smart payment cards and also offers personalisation services for smart payment cards.

(60) Against this background and taking into account the market definitions discussed in Section 4 above, the Transaction gives rise to several horizontally affected markets:

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60 Non-Horizontal Merger Guidelines, paragraph 30.

61 Non-Horizontal Merger Guidelines, paragraph 93.

62 Affected markets consist of all relevant product and geographic markets, as well as plausible alternative relevant product and geographic markets, on the basis of which in the EEA territory: (i) two or more of the parties to the concentration are engaged in business activities in the same relevant market and where the concentration will lead to a combined market share of 20 % or more (horizontal relationships) and (ii) one or more of the parties to the concentration are engaged in business activities in a relevant market, which is upstream or downstream of a relevant market in which any other party to the concentration is engaged, and any of their individual or combined market shares at either level is 30 % or more, regardless of whether there is or is not any existing supplier/customer relationship between the parties to the concentration (vertical relationships). See Regulation (EC) No 802/2004 of 21 April 2004 implementing the Merger Regulation OJ L 133, 30.04.2004, p. 1, Annex 1, Section 6.3.

(a) POS merchant acquiring services in Denmark and Germany and retail POS merchant acquiring services in Italy (Section 7.1 below);

(b) Acquiring processing services in Croatia, Denmark, Norway and Slovenia (Section 7.2 below);

(c) Provision and management of POS terminals in Italy and Sweden (Section 7.3 below); and

(d) Personalisation services for smart payment cards in Hungary, Slovakia, and Romania (Section 7.4 below).

(61) The Transaction also gives rise to the following vertically affected markets:

(a) Acquiring processing (upstream) and merchant acquiring (downstream) (Section 8.1 below); and

(b) The manufacture and supply of non-personalised smart payment cards (upstream) and the personalisation of smart payment cards (downstream) (Section 8.2 below).

7. COMPETITIVE ASSESSMENT OF THE HORIZONTALLY AFFECTED MARKETS

7.1. Merchant acquiring

(62) Set forth below are the Parties' and their main competitors' market shares in POS merchant acquiring in Denmark and Germany and retail merchant acquiring in Italy.

Table 1 Merchant acquiring services – Horizontally Affected Markets Overview of Value-Based Market Shares (2019)				
Market	**EEA Country**	**2019 Combined share**	**Share increment (Party)**	**Competitors**
POS Merchant acquiring[63]	Denmark	[90-100]%	[0-5]% (Nexi)	Swedbank, Handelsbanken, Elavon, Bambora, Valitor (all [0-5]%)
	Germany	[20-30]%	[0-5]% (Nexi)	BS Payone ([20-30]%), Wirecard ([10-20]%), EVO ([5-10]%), Elavon ([0-5]%)
Retail POS Merchant Acquiring[64]	Italy	[30-40]%	[0-5]% (Nets)	UniCredit ([10-20]%), ICCREA ([5-10]%), Banco BPM ([5-10]%), BPER ([5-10]%)

Source: Form CO, Annex 22.

(63) No affected market arises at EEA level, where the combined market share of the Parties is approximately [10-20]% or less under all plausible relevant product market sub-segmentations.

7.1.1. The Notifying Party's view

(64) The Notifying Party submits that no competition concerns arise in relation to merchant acquiring (regardless of product market sub-segmentations), in particular because: (i) the Transaction only results in minimal changes to the competitive landscape as Nets has negligible activities in Italy and Nexi's activities in the two other countries are also minor and (ii) the combined entity will continue to face competition from a large number of merchant acquirers.

7.1.2. The Commission's assessment

(65) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the market for merchant acquiring services (or any segment thereof) in Denmark, Germany, or Italy for the following reasons:

(a) The increment brought about by the Transaction is minimal on all affected markets, as it remains around or below [0-5]% regardless of the precise market segmentation.[65] The HHI delta brought about by the Transaction

63 There are no material differences in terms of the Parties' market shares or competitive landscape when assessing potential segments of POS merchant acquiring for Germany and Denmark (based on type of card payment scheme; brand of card; and type of card). The only notable exception is Denmark, where Nets has a monopoly for merchant acquiring services for the domestic Dankort scheme, on which most debit cards transactions run, which relatedly translates into lower combined shares of the Parties ([70-80]%) on a segment limited to international cards or to credit cards. In any event, on all plausible segments, the increment brought about by the Transaction remains around or below [0-5]% (Reply to RFI 6, question 1). As a result, the various potential segments of POS merchant acquiring market will in principle not be further mentioned in the present Decision, except when stated otherwise.

64 There are no material differences in terms of the Parties' market shares or competitive landscape when assessing potential segments of retail POS merchant acquiring for Italy (based on type of card payment scheme; brand of card; and type of card). In any event, on all plausible segments, the increment brought about by the Transaction remains around or below [0-5]% (Reply to RFI 6, question 1).

65 Form CO, Annex 22.

remains under 20 in all of the merchant acquiring markets concerned.[66] This low share is not due to Nets being a recent entrant in Italy or Nexi being a recent entrant in Denmark or Germany (the two companies have been active in all these countries for several years).

(b) The Parties are not particularly dynamic competitors in these countries either, as their share of transaction values remained similar between 2017 and 2020 in Italy (for Nets), and in Denmark and Germany (for Nexi).[67]

(c) The results of the market investigation clearly confirm that Nets is not perceived as exerting a meaningful competitive constraint in Italy, and conversely that Nexi does not exert a meaningful competitive constraint in Denmark or Germany.[68]

(d) The Parties do not appear to be close competitors. Nexi and Nets virtually never participated in the same tenders in any of the affected markets in the last three years. Out of the [BUSINESS SECRET – STRATEGIC DECISIONS] tenders for merchant acquiring services the Parties participated in over the last three years, they only met [BUSINESS SECRET – STRATEGIC DECISIONS] in multi-country tenders [BUSINESS SECRET – STRATEGIC DECISIONS].[69]

(e) At least four other players would remain active on the POS merchant acquiring market post-Transaction, in each relevant country and segment where an affected market arises. Each of these players holds a market share far exceeding the increment brought about by the Transaction.

(f) In Denmark, where the Parties' combined shares exceed [90-100]%, Nets' market position largely results from its monopoly over the acquiring and processing of card transactions under the domestic card scheme Dankort, which is regulated by the Danish authorities. Focusing on international cards (where the overlap arises), the combined market shares of the Parties would

66 Based on the Horizontal Merger Guidelines (paragraph 20), the Commission is unlikely to identify horizontal competition concerns in a merger concerning relevant markets with an HHI delta below 150. In the markets listed in Table 1 above, the HHI delta would be below 150 and none of the caveat factors in the Horizontal Merger Guidelines apply.

67 Form CO, Annex 22.

68 Responses to questionnaire to competitors in merchant acquiring services sent on 2 February 2021. Two respondents to the market investigation indicated that the acquisition of Nets by Nexi would negatively affect competition for the provision of merchant acquiring services in the EEA. However, as mentioned above in paragraph (63), the EEA market for merchant services (or segments thereof) would not even be affected by the Transaction. Furthermore, both respondents express concerns which are not linked to potential impediments to effective competition. One respondent is concerned that "*[a] larger company that holds a strong financial position will have the capacity to defeat smaller actors, for example by lowering prices*", while the other one indicates that the combined entity will be more appealing to multinational customers as "*[t]he increased capacity of the new combined entity will be likely to attract the big multinational corporate clients, to detriment of the existing players at national level*".

69 Nexi and Nets [BUSINESS SECRET – STRATEGIC DECISIONS AND SUCCESS RATES], and the outcome of the other tender [CONFIDENTIAL INFORMATION] (Form CO, paragraph 232).

be lower (around [70-80]%) while the increment of Nexi would remain minimal (at [0-5]%).[70]

(66) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market for merchant acquiring services (or any segment thereof) in Denmark, Germany, or Italy.

7.2. Acquiring processing

(67) Set forth below are the Parties' and their main competitors' market shares in acquiring processing in Croatia, Denmark, Norway, and Slovenia.

Table 2
Acquiring processing – Horizontally Affected Markets
Overview of Value-Based Market Shares (2019)

Market	EEA Country	2019 combined share	Share increment (Party)	Competitors
Acquiring processing	Croatia	[50-60]%	[0-5]% (Nexi)	EGCP ([20-30]%), Asseco ([5-10]%), Euronet ([10-20]%)
	Denmark	[80-90]%	[0-5]% (Nexi)	TietoEvry ([5-10]%), Swedbank, Elavon
	Norway[71]	[60-70]%	[0-5]% (Nexi)	TietoEvry ([30-40]%), equens Worldline ([0-5]%)
	Slovenia	[30-40]%	[0-5]% (Nexi)	Bankart ([50-60]%), Euronet ([10-20]%), Cetis ([5-10]%)

Source: Form CO, Annex 22.

(68) No affected market arises at EEA level, where the combined market share of the Parties is around [0-5]%.

7.2.1. The Notifying Party's view

(69) The Notifying Party submits that no competition concerns arises in relation to acquiring processing in the countries listed in Table 2 above, in particular because (i) Nexi's activities in acquiring processing outside Italy are entirely limited to [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS] and (ii) Nexi's presence in the relevant countries is marginal.[72]

7.2.2. The Commission's assessment

(70) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the markets for acquiring processing in Croatia, Denmark, Norway, and Slovenia for the following reasons:

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70 See also fn. 63 above. While a few respondents to the market investigation raised concerns in relation to Nets' role in the Dankort scheme, these concerns are not merger-specific as Nexi plays no role in the acquiring or processing of Dankort transactions. See responses to questionnaire to competitors in merchant acquiring services sent on 2 February 2021.

71 For Norway, market shares are provided for Q1-Q3 2020. Norway would not be an affected market based on 2019 information.

72 Form CO, paragraphs 198 et seq.

(a) The increment brought about by the Transaction is minimal on all affected markets, as it remains below [0-5]%.[73] The HHI delta brought about by the Transaction remains under 5 in all of these markets.[74]

(b) Nothing in the market investigation suggests that Nexi would exert a competitive constraint on Nets or vice versa as regards acquiring processing. In particular, Nexi is not a recent entrant in any of the markets.[75] Nexi is not a particularly dynamic competitor either, as its share of transaction values remained similar between 2017 and 2020 in Croatia, Denmark, and Slovenia.[76] The results of the market investigation also largely indicate that Nexi does not exert a competitive constraint on Nets in the relevant countries.[77]

(c) The Parties do not appear to be close competitors. Nexi and Nets have never participated in the same tenders in any of the affected markets in the last three years. In fact, Nexi has never participated in any tender to supply acquiring processing to [BUSINESS SECRET – STRATEGIC DECISIONS].[78]

(d) At least three other players would remain active on each of the affected markets post-Transaction. Each of these players holds a market share far exceeding the increment brought about by the Transaction.

(e) In Denmark, where the Parties' combined shares exceed [80-90]%, Nets' market position largely results from its monopoly over the acquiring and processing of card transactions under the Dankort scheme explained in Section 7.1 above. Focusing on international cards (where the overlap arises), the combined market shares of the Parties would be significantly lower (around [60-70]%).[79]

(71) Two competitors raised concerns in relation to the impact of the Transaction in acquiring processing, primarily in the Nordic region. However:

(a) One respondent largely refers in its response to the potential acquisition by Nexi of SIA (which offers among other products and services acquiring

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73 Form CO, Annex 22

74 Based on the Horizontal Merger Guidelines (paragraph 20), the Commission is unlikely to identify horizontal competition concerns in a merger concerning relevant markets with an HHI delta below 150. In the markets for acquiring processing in Croatia, Denmark, Norway, and Slovenia, the HHI delta would be below 150 and none of the caveat factors in the Horizontal Merger Guidelines apply.

75 Nexi acquired ISP Processing from ISP in 2016 and has since been [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS]. The customer portfolio of ISP Processing has been [BUSINESS SECRET – EVOLUTION OF CUSTOMERS' PORTFOLIO] ever since (from [BUSINESS SECRET – NUMBER OF CUSTOMERS] customers in 2015 to [BUSINESS SECRET – NUMBER OF CUSTOMERS] at the end of 2020).

76 Form CO, Annex 22

77 Responses to questionnaire to competitors in acquiring processing services sent on 2 February 2021.

78 Form CO, paragraph 251, footnote 162.

79 While a few respondents to the market investigation raised concerns in relation to Nets' role in the Dankort scheme, these concerns are not merger-specific as Nexi plays no role in the acquiring or processing of Dankort transactions. See responses to questionnaire to competitors in merchant acquiring services sent on 2 February 2021.

processing solutions), which is a distinct transaction and is not the object of the assessment of the present decision; and

(b) The other respondent primarily raises concerns linked to the competitive framework in Denmark without indicating how the Transaction would have an impact on the pre-merger situation.[80]

(72) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market for acquiring processing in Croatia, Denmark, Norway, and Slovenia.

7.3. Provision and management of POS terminals

(73) Set forth below are the Parties' and their main competitors' market shares in the provision and management of POS terminals in Italy and Sweden.

Table 3
Provision and management of POS terminals – Horizontally Affected Markets
Overview of Volume-Based Market Shares (2019)

Market	EEA Country	2019 combined share	Share increment (Party)	Competitors
POS terminals	Italy	[20-30]%	[0-5]% (Nets)	Unicredit ([5-10]%), ICCREA ([5-10]%), Banca Sella ([0-5]%), SumUp ([0-5]%)
	Sweden	[20-30]%	[0-5]% (Nexi)	Verifone ([50-60]%), Bambora ([5-10]%), PayEx/SwedPay ([5-10]%), iZettle ([0-5]%)

Source: Form CO, Annex 22.

7.3.1. The Notifying Party's view

(74) The Notifying Party submits that no competition concerns arise in relation to the provision and management of POS terminals in Italy or in Sweden, in particular because Nets' position in Italy is minimal and so is Nexi's position in Sweden.[81]

7.3.2. The Commission's assessment

(75) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the market for the provision and management of POS terminals in Italy or Sweden for the following reasons:

(a) The market shares of the Parties are moderate in the relevant countries:

– Sweden: The combined market shares of the Parties are below 25% in Sweden. When the parties' shares are below 25% in the markets where their activities overlap, concentrations are unlikely to raise competition concerns.[82]

80 See fn. 62 above.

81 Form CO, paragraphs 184 et seq.

82 Horizontal Merger Guidelines, paragraph 32.

– Italy: The combined market shares of the Parties are close to the 25% threshold on the market for the provision and management of POS terminals, and below in relation to traditional POS terminals (where an overlap arises, as Nets only offers traditional POS in Italy).

(b) The increment brought about by the Transaction is minimal on all affected markets, as it remains below [0-5]% regardless of the precise market segmentation. The HHI delta brought about by the Transaction remains under 5 in all of the markets, which gives an initial indication competition concerns are unlikely.[83]

(c) Nothing in the market investigation suggests that Nexi would exert a competitive constraint on Nets or vice versa as regards the provision and management of POS terminals. In particular, Nexi is not a recent entrant in Sweden, nor is Nets in Italy. The companies are also not particularly dynamic competitors either, as their share in terms of number of POS terminals supplied has remained similar over the last three years in Italy (for Nets) and Sweden (for Nexi).[84]

(d) The Parties do not appear to be close competitors. In Sweden, Nexi only offers traditional POS, whereas Nets offers other categories of POS terminals as well. Conversely, in Italy, Nets only offers traditional POS, whereas Nexi offers other categories of POS terminals.[85]

(e) Post-Transaction, at least six other players will remain active in Sweden, and seven in Italy. Each of these players holds a market share far exceeding the increment brought about by the Transaction.

(f) Furthermore, no respondent to the market investigation raised concerns in relation to the provision and management of POS terminals in the relevant countries or elsewhere.[86]

(76) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market for the provision and management of POS terminals in Italy or Sweden.

83 Horizontal Merger Guidelines, paragraph 20.

84 Form CO, Annex 22

85 Form CO, Annex 22

86 Responses to questionnaire to competitors in merchant acquiring and acquiring processing services sent on 2 February 2021. Questionnaire Q1 to smart payment cards competitors, question 27 and Questionnaire Q2 to smart payment cards customers, question 29.

7.4. Personalisation of smart payment cards

(77) Set forth below are the Parties', IDEMIA's, and their main competitors' market shares in personalisation of smart payment cards in Hungary, Slovakia, and Romania.

Table 4
Smart Payment Cards – Horizontally Affected Markets[87]
Overview of Volume-Based Market Shares (2019)

Market	EEA Country	IDEMIA	Nets	Nexi	Combined Share	Competitors
Personalisation of Smart Payment Cards	Hungary	[50-60]%	[0-5]%	Not active	[50-60]%	OTP Bank ([30-40]%), ANY ([5-10]%)
	Slovakia	[20-30]%	[10-20]%	Not active	[30-40]%	AustriaCard ([20-30]%), Global Payments ([5-10]%), Banks in-house ([10-20]%)
	Romania	[30-40]%	[0-5]%	Not active	[30-40]%	AustriaCard ([10-20]%), SIBS ([10-20]%), ING and other banks ([30-40]%)

Source: Form CO, Annexes 21 and 22.

7.4.1. Personalisation of smart payment cards in Hungary

7.4.1.1. The Notifying Party's view

(78) The Notifying Party considers that the Transaction does not result in competition concerns in the market for personalisation services for smart payment cards in Hungary because (i) Nets' activities in personalisation services are extremely limited in Hungary and across the EEA, [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS]; (ii) IDEMIA and Nets do not compete closely; and (iii) there are no barriers to entry or expansion.[88]

7.4.1.2. The Commission's assessment

(79) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the market for personalisation services in smart payment cards in Hungary for the following reasons:

(a) Following the Transaction, the combined share of IDEMIA and Nets would be significant ([50-60]% in 2019). However, the market position of Nets in Hungary is minor ([0-5]% in 2019) and the Transaction would not significantly change the competitive landscape in personalisation services in smart payment cards in Hungary. As explained above, Nets does not compete proactively in the market for personalisation services for smart payment cards and [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS].[89] During the market investigation, all responding

87 Source: Form CO, Annexes 21 and 22.

88 Form CO, Annex 23, paragraph 3.

89 See recital (14) above.

competitors confirmed that they have not encountered Nets in a tender in personalisation services in Hungary.[90]

(b) Post-Transaction, IDEMIA and Nets will continue to face competition constraints by at least two competitors, with shares higher than Nets' (namely, OTP Bank and ANY).

(c) IDEMIA and Nets are not close competitors in Hungary. IDEMIA is active in both manufacture/supply and personalisation of smart payment cards, while Nets only personalises smart payment cards. In the market investigation, responding customers and competitors stated that IDEMIA competes closely with ANY, Thales, and AustriaCard - but not with Nets.[91]

(d) In the market investigation, the majority of responding competitors indicated that they did not expect the Transaction to lead to higher prices or less competition in the market of personalisation services for smart payment cards in Hungary.[92]

(80) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in the market for personalisation services for smart payment cards in Hungary.

7.4.2. Personalisation of smart payment cards in Slovakia

7.4.2.1. The Notifying Party's view

(81) The Notifying Party considers that the Transaction does not result in competition concerns in the market for personalisation services for smart payment cards in Slovakia because (i) Nets' activities in personalisation services are extremely limited in Slovakia and across the EEA, [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS]; (ii) IDEMIA and Nets do not compete closely; and (iii) there are no barriers to entry or expansion.[93]

7.4.2.2. The Commission's assessment

(82) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the market for personalisation services in smart payment cards in Slovakia for the following reasons:

(a) Following the Transaction, the combined share of IDEMIA and Nets would be moderate ([30-40]% in 2019). However, the Transaction would not significantly change the competitive landscape in personalisation services in smart payment cards in Slovakia. Nets rarely competes for new customers in Slovakia (or in any country) as explained in recitals (14) and (79)(a) above. During the market investigation, all responding competitors confirmed that

90 Questionnaire Q1 to smart payment cards competitors, question 21.

91 Questionnaire Q1 to smart payment cards competitors, question 20.1 and Questionnaire Q2 to smart payment cards customers, question 23.1.

92 Questionnaire Q1 to smart payment cards competitors, questions 25 and 26.

93 Form CO, Annex 23, paragraph 3.

they have not encountered Nets in a tender in personalisation services in Slovakia.[94]

(b) Post-Transaction, IDEMIA and Nets will continue to face competition constraints by at least two competitors, including AustriaCard which held a share of [20-30]% in 2019 and Global Payments ([5-10]%).

(c) IDEMIA and Nets are not close competitors in Slovakia. IDEMIA is active in both the manufacture/supply and personalisation of smart payment cards, while Nets only personalises smart payment cards. In the market investigation, the vast majority of responding customers and competitors stated that IDEMIA competes closely with SIA and AustriaCard -- but not with Nets.[95]

(d) In the market investigation, the majority of responding competitors indicated that they did not expect the Transaction to lead to higher prices or less competition in the market of personalisation services for smart payment cards in Slovakia.[96]

(83) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in the market for personalisation services for smart payment cards in Slovakia.

7.4.3. Personalisation of smart payment cards in Romania

7.4.3.1. The Notifying Party's view

(84) The Notifying Party considers that the Transaction does not result in competition concerns in the market for personalisation services for smart payment cards in Romania because (i) Nets' activities in personalisation services are extremely limited in Romania and across the EEA [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS]; (ii) IDEMIA and Nets do not compete closely; and (iii) there are no barriers to entry or expansion.[97]

7.4.3.2. The Commission's assessment

(85) The Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market regarding the market for personalisation services in smart payment cards in Romania for the following reasons:

(a) Following the Transaction, the combined share of IDEMIA and Nets would be moderate ([30-40]% in 2019). However, the Transaction would not significantly change the competitive landscape in personalisation services in smart payment cards in Romania. Nets' share in this market is limited ([0-5]% in 2019) and hence, the increment brought about by the Transaction is

94 Questionnaire Q1 to smart payment cards competitors, question 21.

95 Questionnaire Q1 to smart payment cards competitors, question 20.2 and Questionnaire Q2 to smart payment cards customers, question 23.2.

96 Questionnaire Q1 to smart payment cards competitors, questions 25 and 26.

97 Form CO, Annex 23, paragraph 3.

minimal.[98] Nets rarely competes for new customers in Romania (or in any country) as explained in recitals (14) and (79)(a) above. During the market investigation, all responding competitors confirmed that they have not encountered Nets in a tender in personalisation services in Romania.[99]

(b) Post-Transaction, IDEMIA and Nets will continue to face competition constraints by at least two competitors, with shares higher than Nets' (i.e., Thales and AustriaCard).

(c) IDEMIA and Nets are not close competitors in Romania. IDEMIA is active in both the manufacture/supply and personalisation of smart payment cards, while Nets only personalises smart payment cards. In the market investigation, the vast majority of responding customers and competitors stated that IDEMIA competes closely with AustriaCard and SIBS - but not with Nets.[100]

(d) In the market investigation, the majority of responding competitors indicated that they did not expect the Transaction to lead to higher prices or less competition in the market of personalisation services for smart payment cards in Romania.[101]

(86) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in the market for personalisation services for smart payment cards in Romania.

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98 Based on the Horizontal Merger Guidelines (paragraph 20), the Commission is unlikely to identify horizontal competition concerns in a merger concerning relevant markets with an HHI delta below 150. In the market for personalisation services for smart payment cards in Romania, the HHI delta would be below 150 and none of the caveat factors in the Horizontal Merger Guidelines apply. This further confirms the Commission's conclusion that in this relevant market, the Transaction does not give rise to serious doubts as to its compatibility with the internal market.

99 Questionnaire Q1 to smart payment cards competitors, question 21.

100 Questionnaire Q1 to smart payment cards competitors, question 20.3 and Questionnaire Q2 to smart payment cards customers, question 23.3.

101 Questionnaire Q1 to smart payment cards competitors, questions 25 and 26.

8. COMPETITIVE ASSESSMENT OF NON-HORIZONTALLY AFFECTED MARKETS[102]

8.1. Acquiring processing (upstream) – POS Merchant acquiring (downstream)

(87) Certain merchant acquirers do not handle the acquiring processing, the technical handling and routing of a payment transaction, in-house. When merchant acquirers procure their acquiring processing services from a third party, a vertical relationship may exist between the provision of acquiring processing services (upstream) and POS merchant acquiring services (downstream). Set forth below are Nexi's and Nets' shares in the relevant vertically affected markets.

[102] This Section deals with vertically affected markets. During the Commission's market investigation, two competitors in the manufacture/supply and personalisation of smart payment cards also raised concerns regarding potential conglomerate effects of the Transaction. These competitors indicated that card payment services markets (e.g., acquiring processing in the EEA or in different EEA countries) are neighbouring with the relevant markets for the manufacture/supply and personalisation of smart payment cards. The combined entity and/or IDEMIA held market shares of [30-40]% or more in these neighbouring markets (or their sub-segments) (see Table 2 and Table 4 above and Table 5 and Table 6 below). The two competitors were concerned that the combined entity (possibly together with IDEMIA) could bundle its offerings in acquiring processing and the manufacture/supply and/or personalisation of smart payment cards and as a result possibly foreclose competitors who are not able to make similar bundled offerings. The results of the Commission's market investigation did not confirm these concerns. In the market investigation, responding competitors submitted that banks never or rarely purchase payment services (e.g., acquiring processing) and smart payment cards (non-personalised and/or personalised) as part of the same tender (see Questionnaire Q1 to smart payment cards competitors, question 11). Only a minority of responding competitors expect that this would change in the next 3 years (see Questionnaire Q1 to smart payment cards competitors, question 11.3). It is thus unlikely that the combined entity (and IDEMIA) could easily bundle its offerings in card payment services and smart payment cards when bidding for new opportunities. Moreover, competitors could develop counter-strategies to respond to any bundling behaviour of the combined entity (and IDEMIA). As one of the two competitors who expressed concerns acknowledged, "[a]*ll smart payment card manufacturers... have had some kind of cooperation with payment services providers because they target the same customers (namely, banks)"* (see Notes from call with competitor, 27 January 2021, paragraph 22). Finally, no responding competitor active in merchant acquiring or acquiring services raised similar concerns (see Responses to questionnaire to competitors in merchant acquiring and acquiring processing services sent on 2 February 2021). In light of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market regarding conglomerate effects in relation to card payment services and smart payment card relevant markets.

Table 5 Card Payment Services – Vertically Affected Markets Overview of Value-Based Market Shares (2019)							
Upstream				**Downstream**			
Market	**Geography**	**Entity Active**	**2019 Share**	**Market**	**Country**	**Entity Active**	**2019 Share**
Acquiring processing	EEA	Nexi	[0-5]%	POS Merchant acquiring[103]	Croatia	Nets	[0-5]%
		Nets	[0-5]%				
	Croatia	Nexi	[0-5]%				
		Nets	[50-60]%				
	Denmark	Nexi	[0-5]%		Denmark	Nexi	[0-5]%
		Nets	[80-90]%			Nets	[90-100]%
	Finland	Nexi	[0-5]%		Finland	Nets	[50-60]%
		Nets	[5-10]%				
	Italy	Nexi	[20-30]%				
	Norway	Nexi	[0-5]%		Norway	Nets	[20-30]%
		Nets	[60-70]%				
	Slovenia	Nexi	[0-5]%		Slovenia	Nets	[0-5]%
		Nets	[30-40]%	Retail POS Merchant Acquiring	Italy	Nexi	[30-40]%
						Nets	[0-5]%

Source: Form CO, Annex 22, Reply to RFI 8.

(88) Nexi and Nets both offer acquiring processing services in-house to meet their internal needs. Nexi also sources acquiring processing services from third parties, e.g., [BUSINESS SECRET – SUPPLY SOURCES]. Nets also sources acquiring processing services from third parties for part of its requirements as a merchant acquirer.[104] Nexi does not offer acquiring processing services to third parties. However, Nets offers acquiring services to third parties. Therefore, both input and customer foreclosure are assessed in this decision.

8.1.1. Input foreclosure

8.1.1.1. The Notifying Party's view

(89) The Notifying Party submits that no input foreclosure concerns arise in relation to the vertical relationship for the provision of acquiring processing services (upstream) and merchant acquiring services (downstream) in any of the affected markets above, in particular because (i) the increment brought about by the Transaction (upstream and downstream) is marginal as Nexi's activities in the relevant countries are limited to servicing Italian merchants with cross-border activities, and (ii) Nexi only engages in acquiring processing for its in-house requirements, so that no foreclosure concerns arise.[105]

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[103] The Notifying Party confirmed that there are no material differences in terms of the Parties' market shares or competitive landscape for the relevant market of POS merchant acquiring services in Croatia, Denmark, Finland, Norway, or Slovenia or retail POS merchant acquiring services in Italy on any of their respective possible sub-segments (based on type of card payment scheme in Denmark and Italy; brand of card in all countries; and type of card in all countries). In Croatia, Finland, and Slovenia there are no domestic card payment schemes. Nets does not offer merchant acquiring services for the domestic card payment scheme in Norway. See Reply to RFI 8, questions 1 and 2.

[104] Reply to RFI 7, question 5.

[105] Form CO, paragraphs 211 et seq.

8.1.1.2. The Commission's assessment

A. Considering a plausible EEA-wide market for acquiring processing services upstream

(90) The Commission considers that the Transaction is unlikely to give rise to input foreclosure concerns in the downstream markets listed in Table 5 above. The combined entity would not have the ability to foreclose its downstream competitors in POS merchant acquiring services (or any of the sub-segmentations of this market) in Croatia, Denmark, Finland, Norway, or Slovenia by restricting access to acquiring processing services in the EEA. Nor would the combined entity have the ability to foreclose its downstream competitors in retail POS merchant acquiring services (or any of the sub-segmentations of this market) in Italy by restricting access to acquiring processing services in the EEA.

(91) A combined entity has the ability to foreclose downstream competitors when, by reducing access to its own upstream products, it can affect the overall availability of inputs for the downstream market.[106] This is not the case for the combined entity in the plausible upstream market for acquiring processing services in the EEA. In this market, the combined entity held a market share of approximately [0-5]% in 2019. Many other providers of acquiring processing services will remain active on this market post-Transaction. These include large players such as Worldline/Ingenico, Fiserv/FirstData, FIS/Worldpay, Adyen, SIA, Elavon, or Evo. Customers active in the downstream markets for POS merchant acquiring or retail POS merchant acquiring (listed in Table 5 above) would be able to turn to one of the many upstream competitors and purchase acquiring services in case the combined entity decided to engage in a foreclosure strategy.

(92) As the combined entity would have no ability to foreclose downstream competitors in POS merchant acquiring in Croatia, Denmark, Finland, Norway, or Slovenia or in retail POS merchant acquiring in Italy, it is not necessary to assess in detail the incentives of the combined entity or the overall impact of the Transaction on competition. In any event, no respondent to the market investigation raised concerns related to input foreclosure in these markets.[107]

B. Considering plausible national markets for acquiring processing services upstream

B.1. Finland, Italy, and Slovenia

(93) The Commission considers that the Transaction is unlikely to give rise to input foreclosure concerns in the downstream markets in Finland, Italy, and Slovenia (listed in Table 5 above). The Commission considers that the combined entity would not have the ability or the incentive to foreclose its downstream competitors in POS merchant acquiring services (or any of the sub-segmentations of this market) in Finland or Slovenia by restricting access to acquiring processing services at national level. Nor would the combined entity have the ability or the incentive to foreclose its downstream competitors in retail POS merchant acquiring services (or any of the

106 Non-Horizontal Merger Guidelines, paragraph 36.

107 Responses to questionnaire to competitors in merchant acquiring sent on 2 February 2021.

sub-segmentations of this market) in Italy by restricting access to acquiring processing services at national level.

(94) A combined entity has the ability to foreclose downstream competitors when, by reducing access to its own upstream products, it can affect the overall availability of inputs for the downstream market.[108] This is not the case for the combined entity in the plausible upstream markets for acquiring processing services in Finland, Italy, or Slovenia. Post-Transaction, the combined market share of the Parties in each of these plausible markets would be below [30-40]%. Many other providers of acquiring processing services will remain active on each of these markets post-Transaction. These include Worldline, TietoEvry, and Elavon in the Nordic region (including Finland); SIA, Worldline, and ICCREA in Italy; and Bankart, Euronet and Cetis in Slovenia. Customers active in the downstream markets for POS merchant acquiring or retail POS merchant acquiring (listed in Table 5 above) would be able to turn to one of the many upstream competitors and purchase acquiring processing services in case the combined entity decided to engage in a foreclosure strategy.

(95) As regards incentives to foreclose, the Commission notes that Nets is already today active upstream in acquiring processing and downstream in POS merchant acquiring in Finland and Slovenia. Nexi is already today active upstream in acquiring processing and downstream in retail POS merchant acquiring in Italy but it does not offer acquiring processing services to its downstream competitors (only in-house). The share increment resulting from the Transaction would be minimal ([0-5]% or less) both in the upstream and downstream markets. It is thus unlikely that the proposed Transaction would change the incentives of the combined entity to engage in an input foreclosure strategy in the downstream markets in Finland, Italy or Slovenia.

(96) As the combined entity would have no ability or incentive to foreclose downstream competitors in POS merchant acquiring in Finland or Slovenia or in retail POS merchant acquiring in Italy, it is not necessary to assess in detail the overall impact of the Transaction on competition. In any event, no respondent to the market investigation raised concerns regarding the impact of the proposed Transaction in the downstream markets of POS merchant acquiring in Finland or Slovenia or retail POS merchant acquiring in Italy, as a result of an input foreclosure strategy involving acquiring processing services.[109]

B.2. Croatia, Denmark, and Norway

(97) The Commission considers that the Transaction is unlikely to give rise to input foreclosure concerns in the downstream markets in Croatia, Denmark, and Norway (listed in Table 5 above). The Commission considers that the proposed Transaction would not give the incentive to the combined entity to foreclose its downstream competitors in POS merchant acquiring services (or any of the sub-segmentations of this market) in Croatia, Denmark or Norway by restricting access to acquiring processing services at national level.

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[108] Non-Horizontal Merger Guidelines, paragraph 36.

[109] Responses to questionnaire to competitors in merchant acquiring sent on 2 February 2021.

(98) Nets is already today active upstream in acquiring processing and downstream in POS merchant acquiring in Croatia, Denmark, and Norway. The share increment resulting from the Transaction in these markets would be minimal ([0-5]% or less) both in the upstream and downstream markets. It is thus unlikely that the proposed Transaction would change the incentives of the combined entity to engage in an input foreclosure strategy in the downstream markets in Croatia, Denmark, or Norway.

(99) As the combined entity would have no increased incentives to foreclose POS merchant acquirers in Croatia, Denmark or Norway, it is not necessary to assess in detail the ability of the combined entity to foreclose or the overall impact of the Transaction on competition. In any event, no respondent to the market investigation raised concerns regarding the impact of the proposed Transaction in the downstream markets of POS merchant acquiring in Croatia, Denmark, or Norway as a result of an input foreclosure strategy involving acquiring processing services.[110]

C. Conclusion

(100) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to a potential input foreclosure for acquiring processing services procured by providers of POS merchant acquiring services (including retail POS merchant acquirers in Italy).

8.1.2. Customer foreclosure

8.1.2.1. The Notifying Party's view

(101) The Notifying Party submits that no customer foreclosure concerns arise in relation to the vertical relationship for the provision of acquiring processing services (upstream) and merchant acquiring services (downstream) for the reasons laid out in recital (89) above.

8.1.2.2. The Commission's assessment

A. Considering a plausible EEA-wide market for acquiring processing services upstream

(102) The Commission considers that the Transaction is unlikely to give rise to customer foreclosure concerns in a plausible market for acquiring processing services in the EEA. The combined entity would not have the ability to foreclose its upstream competitors in acquiring processing services in the EEA by restricting access to a significant merchant acquiring customer base for the following reasons.

(103) A combined entity has the ability to engage in customer foreclosure, only when it involves a company which is an important customer for the upstream product.[111] This is not the case for Nexi and Nets at an EEA-wide level. As explained in paragraph 16(63) above, Nexi and Nets together hold a market share of less than [10-20]% in POS merchant acquiring in the EEA. Other POS merchant acquirers with

110 Responses to questionnaire to competitors in merchant acquiring sent on 2 February 2021.

111 Non-Horizontal Merger Guidelines, paragraphs 61 and 66.

activities in the EEA include FIS/Worldpay, Worldline, Fiserv/First Data, Global Payments/TSYS, Elavon, EVO and others.[112] In case the combined entity decided to only source acquiring services in-house, upstream rivals would continue to offer their acquiring services to the many competitors of Nexi and Nets in POS merchant acquiring markets in the EEA (including retail POS merchant acquiring in Italy).

(104) As the combined entity would have no ability to foreclose upstream competitors in a plausible market for acquiring processing services in the EEA, it is not necessary to assess in detail the incentives of the combined entity or the overall impact of the Transaction on competition. In any event, no respondent to the market investigation active in the provision of acquiring processing services raised concerns related to customer foreclosure.[113]

B. Considering plausible national markets for acquiring processing services upstream

B.1. Croatia, Denmark, Finland, Norway, Slovenia

(105) The Commission considers that the Transaction is unlikely to give rise to customer foreclosure concerns in plausible national markets for acquiring processing services in Croatia, Denmark, Finland, Norway, or Slovenia. The combined entity would not have the ability to foreclose its upstream competitors in acquiring processing services in these countries by restricting access to a significant merchant acquiring customer base for the following reasons.

(106) A combined entity has the ability to engage in customer foreclosure, only when it involves a company which is an important customer for the upstream product.[114] This is not the case for the combined entity for the following reasons:

(a) In Denmark, Finland and Norway, Nets handles nearly [90-100]% of its acquiring processing needs in-house, so that it cannot be considered an important customer of acquiring processing services providers. In addition, the minimal increment brought by Nexi (less than [0-5]%) does not materially impact the ability of the combined entity to engage in customer foreclosure in Denmark. Nexi is not active at all in POS merchant acquiring services in Finland and Norway and thus the proposed Transaction does not change the ability of the combined entity to engage in customer foreclosure in these two countries.

(b) In Croatia and Slovenia, Nets relies on [BUSINESS SECRET – SUPPLY SOURCE] to source acquiring processing for its own merchant acquiring activities. However, the merged entity's downstream presence is limited (with a market share below [0-5]%) so that it cannot be considered an important customer. In addition, Nexi is not active at all in POS merchant acquiring services in Croatia and Slovenia and thus the proposed Transaction does not change the ability of the combined entity to engage in customer foreclosure in these two countries.

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112 Form CO, Annex 13.b – Project Berggreen – Presentation to the BoD, October 24, page 26 and Form CO, Annex 22.

113 Responses to questionnaire to competitors in acquiring processing sent on 2 February 2021.

114 Non-Horizontal Merger Guidelines, paragraphs 61 and 66.

(107) As the combined entity would have no ability to foreclose upstream competitors in a plausible market for acquiring processing services in Croatia, Denmark, Finland, Norway, or Slovenia, it is not necessary to assess in detail the incentives of the combined entity or the overall impact of the Transaction on competition. In any event, no respondent to the market investigation active in the provision of acquiring processing services raised concerns related to customer foreclosure.[115]

B.2. Italy

(108) The Commission considers that the Transaction is unlikely to give rise to customer foreclosure concerns in a plausible national market for acquiring processing services in Italy. The proposed Transaction would not give the incentive to the combined entity to foreclose its upstream competitors in acquiring processing in Italy by restricting access to a significant merchant acquiring customer base for the following reasons.

(109) Already today, Nexi holds a share of [30-40]% in the downstream market for retail POS merchant acquiring in Italy. Nexi relies on [BUSINESS SECRET – SUPPLY SOURCE] for acquiring processing for all its merchant acquiring volumes in Italy, with the exception of [BUSINESS SECRET – SUPPLY SOURCE]. Nets does not offer acquiring processing services in Italy. Moreover, the increment brought about by the Transaction on the downstream market for Retail POS Merchant Acquiring is minimal ([0-5]%). It is thus very unlikely that the proposed Transaction would change the incentives of the combined entity to engage in a customer foreclosure strategy in Italy.

(110) As the combined entity would have no increased incentives to foreclose acquiring processing rivals in Italy, it is not necessary to assess in detail in detail the ability of the combined entity to foreclose or the overall impact of the Transaction on competition. In any event, no respondent to the market investigation raised concerns regarding the impact of the proposed Transaction in the upstream market of acquiring processing in Italy as a result of a customer foreclosure strategy involving POS merchant acquiring.[116]

C. Conclusion

(111) In light of the above considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to a potential customer foreclosure for acquiring processing services procured by POS merchant acquirers.

8.2. Manufacture/supply of non-personalised smart payment cards (upstream) – Personalisation of smart payment cards (downstream)

(112) Non-personalised smart payment cards are an input for companies offering card personalisation services. IDEMIA manufactures non-personalised smart payment cards while Nets and IDEMIA offer personalisation services. The proposed Transaction results in vertical overlaps giving rise to affected markets in manufacture/supply of non-personalised smart payment cards (upstream) and

115 Responses to questionnaire to competitors in acquiring processing sent on 2 February 2021.

116 Responses to questionnaire to competitors in merchant acquiring sent on 2 February 2021.

personalisation services (downstream). Set forth below are IDEMIA's and Nets' shares in the relevant markets.

Table 6
Smart Payment Cards – Vertically Affected Markets
Overview of Volume-Based Market Shares (2019)

Upstream				Downstream			
Market	**Geography**	**Entity Active**	**2019 Share**	**Market**	**Geography**	**Entity Active**	**2019 Share**
Manufacture/supply of non-personalised smart payment cards	EEA	IDEMIA	[40-50]%	Personalisation of smart payment cards	Croatia	Nets	[20-30]%
					Hungary	IDEMIA	[50-60]%
						Nets	[0-5]%
					Slovakia	IDEMIA	[20-30]%
						Nets	[10-20]%
					Slovenia	Nets	[20-30]%
					Romania	IDEMIA	[30-40]%
						Nets	[0-5]%

Source: Form CO, Annexes 21 and 22; Reply to RFIs 4 and 5, question 9.

8.2.1. Input foreclosure

8.2.1.1. The Notifying Party's view

(113) The Notifying Party submits that the combined entity (and IDEMIA) would not have the ability to foreclose competitors in the downstream markets for personalisation of smart payment cards, by restricting access to non-personalised smart payment cards. According to the Notifying Party:[117]

(a) In most cases, the downstream competitors (card personalisers) do not purchase themselves non-personalised smart payment cards but simply work with the cards purchased by the final customer (the bank). By restricting access to its non-personalised cards, IDEMIA would not be in a position to drive more demand towards the combined entity in the downstream market.

(b) In Central and Eastern Europe, there are only two card personalisers that purchase cards directly from IDEMIA: [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS] in Slovenia and [BUSINESS SECRET –CONTRACTUAL RELATIONSHIPS] in Czechia. Both these personalisers source non-personalised cards today not only from IDEMIA but also from its upstream competitors (e.g., AustriaCard or Thales). [BUSINESS SECRET –CONTRACTUAL RELATIONSHIPS] and [BUSINESS SECRET –CONTRACTUAL RELATIONSHIPS] would be able to easily switch all of their demand to AustriaCard or Thales respectively, if IDEMIA engaged in an input foreclosure strategy regarding non-personalised smart payment cards.

8.2.1.2. The Commission's assessment

(114) The Commission considers that the Transaction is unlikely to give rise to input foreclosure concerns. The combined entity and IDEMIA would not have the ability to foreclose their downstream competitors in personalisation services in Croatia,

117 Replies to RFIs 4 and 5, question 9.

Hungary, Slovakia, Slovenia, or Romania by restricting access to non-personalised smart payment cards for the following reasons.

(115) A combined entity has the ability to foreclose downstream competitors when, by reducing access to its own upstream products, it can affect the overall availability of inputs for the downstream market.[118] This is not the case for the combined entity and IDEMIA regarding the availability of non-personalised smart payment cards for the following reasons:

(a) While IDEMIA has a meaningful share of [40-50]% in the EEA-wide market for personalisation services for smart payment cards, it faces competition constraints from several players in this market. These players include Thales, G+D, and AustriaCard. In the market investigation, responding competitors identified Thales as a player stronger than IDEMIA in the EEA-wide market for the manufacture/supply of non-personalised smart payment cards.[119]

(b) IDEMIA's competitors in the upstream market could expand output to supply non-personalised smart payment cards to any downstream players that IDEMIA might decide to foreclose. In the market investigation, several upstream rivals indicated that they have spare capacity in their manufacturing facilities for non-personalised smart payment cards.[120]

(c) In the market investigation, all respondents purchasing non-personalised cards that they subsequently personalise stated that there will be a sufficient number of suppliers in the EEA post-Transaction and that this will allow them to cover their requirements for cards.[121]

(d) IDEMIA does not offer today non-personalised smart payment cards to any personaliser in Croatia. Thus, it does not seem have the ability to foreclose Nets' rivals in that country by restricting access to non-personalised cards. As regards Hungary, Slovakia, Slovenia, or Romania, the majority of responding competitors do not expect the combined entity (or IDEMIA) to have the ability to increase prices or reduce competition in the market of personalisation services for smart payment cards.[122]

(116) As the combined entity (and IDEMIA) would have no ability to foreclose smart payment card personalisation services providers in Croatia, Hungary, Slovakia, Slovenia, or Romania, it is not necessary to assess in detail the incentives of the combined entity (and IDEMIA) or the overall impact of the Transaction on competition.

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118 Non-Horizontal Merger Guidelines, paragraph 36.

119 Questionnaire Q1 to smart payment cards competitors, question 19.1.

120 Questionnaire Q1 to smart payment cards competitors, question 5.1.

121 Questionnaire Q1 to smart payment cards competitors, question 13 and Questionnaire Q2 to smart payment cards customers, question 17.

122 Questionnaire Q1 to smart payment cards competitors, questions 25 and 26.

8.2.2. Customer foreclosure

8.2.2.1. The Notifying Party's view

(117) The Notifying Party submits that the combined entity (and IDEMIA) would not have the ability or the incentive to foreclose competitors in the upstream market for manufacture/supply of non-personalised cards, by restricting access to a significant customer base of personalisers. According to the Notifying Party, Nets has a limited position in personalisation services for smart payment cards today and its total spending for non-personalised smart payment cards in 2019 was EUR [BUSINESS SECRET – COST STRUCTURE].[123]

8.2.2.2. The Commission's assessment

(118) The Commission considers that the Transaction is unlikely to lead to customer foreclosure concerns. The combined entity would not have the ability to foreclose its upstream competitors in the manufacture/supply of non-personalised smart payment cards in the EEA by restricting access to a significant customer base for the following reasons.

(119) A combined entity has the ability to engage in customer foreclosure, only when it involves a company which is an important customer for the upstream product.[124] This is not the case for the combined entity in the downstream markets for personalisation services of smart payment cards:

(a) Nets personalised less than [0-5]% of all smart payment cards that were personalised in the EEA in 2019. Moreover, Nets only offers personalisation services for smart payment cards in five EEA Member States (listed in Table 6 above). IDEMIA's competitors post-Transaction could continue selling non-personalised smart payment cards to (i) 22 Member States where Nets is not active and/or (ii) customers representing [90-100]% of all smart payment cards needed in the EEA, in case the combined entity engaged in a customer foreclosure strategy.

(b) Nets does not source non-personalised smart payment cards itself for the majority of its customers. Rather, most of Nets' customers procure cards directly from the manufacturers. Nets sourced non-personalised smart payment cards itself for only [BUSINESS SECRET – NUMBER OF CUSTOMER] customers – [BUSINESS SECRET – NAME OF CUSTOMER] in Slovenia. Nets purchased these cards from [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS] (spending in total EUR [BUSINESS SECRET – COST STRUCTURE] in 2019). This represented less than [0-5]% of the total demand for non-personalised smart payment cards in the EEA in 2019.[125] During the market investigation, [BUSINESS SECRET – CONTRACTUAL RELATIONSHIPS] submitted that it does not expect any decrease in the intensity of competition in non-personalised smart

123 Replies to RFIs 4 and 5, questions 9 and 11.

124 Non-Horizontal Merger Guidelines, paragraphs 61 and 66.

125 Reply to RFI 7, question 6.

payment cards in the EEA.[126] All other responding competitors confirmed this.[127]

(120) As the combined entity (and IDEMIA) would have no ability to foreclose manufacturers of non-personalised smart payment cards in the EEA, it is not necessary to assess in detail the incentives of the combined entity (and IDEMIA) or the overall impact of the Transaction on competition.

8.2.3. Conclusion

(121) In light of the above considerations, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market as a result of either input or customer foreclosure on the markets for manufacture/supply of non-personalised smart payment cards (upstream) and personalisation of smart payment cards (downstream).

9. CONCLUSION

(122) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President

126 Questionnaire Q1 to smart payment cards competitors, question 24.

127 Questionnaire Q1 to smart payment cards competitors, question 24.