

Competition concerns in retail investment software merger

FNZ purchased GBST in November 2019. Both companies have a significant presence in the UK. They are 2 of the leading suppliers of retail investment platform solutions in the UK.

Following its in-depth 'Phase 2' investigation, the Competition and Markets Authority (CMA) has provisionally found that FNZ's purchase of GBST could result in a substantial lessening of competition. This could lead to UK consumers who rely on investment platforms to administer their pensions and other investments facing higher costs and lower quality services.

The merged business would be by far the largest supplier in the UK, holding close to 50% of the market. Although there are differences in the business model that the 2 companies use, with FNZ providing an integrated software and servicing solution and GBST being a software-only provider, the CMA provisionally considers that they compete closely in a concentrated market in which there are few other significant suppliers. In particular, the CMA's investigation found that FNZ and GBST have competed consistently against each other in recent tenders to supply major investment platforms in the UK and that customers view them as close alternatives.

The investigation provisionally found that the merged business would face limited competition, with only one other supplier (Bravura) offering similar capabilities. Switching retail investment platform solutions is an expensive and complex process. The reluctance of customers to change suppliers, as a result of the risks involved, can make it difficult for smaller or less well-established firms (including suppliers active outside the UK) to enter or scale up in the UK.

In reaching this provisional decision, the CMA analysed a wide range of evidence looking at how closely these firms compete, including tender data and the companies' internal documents. It also engaged with customers, competitors, and other stakeholders to inform its findings.

The CMA has set out potential options for addressing its provisional concerns, which include requiring FNZ to sell all or part of GBST. Views are invited on the provisional findings by 25 August 2020 and on the notice of possible remedies by 18 August 2020.

Martin Coleman, Chair of the CMA inquiry group, said:

"The evidence we've seen so far consistently points in the same direction – that FNZ and GBST are two of the leading suppliers within this market and compete closely against each other. That's why we're concerned that their merger could lead to investment platforms, and therefore indirectly millions of UK consumers who hold pensions or other investments, facing higher fees and lower quality services. We're now inviting comments on our provisional

findings and possible remedies.”

For more information, visit the FNZ/GBST merger inquiry [case page](#).

For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.