

# Digital Secretary asks CMA to carry out further investigation into NVIDIA's takeover of Arm

- Digital Secretary Nadine Dorries orders Phase Two investigation on national security and competition grounds

Digital Secretary Nadine Dorries has today written to the CMA instructing them to carry out an in-depth Phase Two investigation of the proposed acquisition of Arm by NVIDIA on competition and national security grounds.

The Digital Secretary has 'quasi-judicial' powers under the Enterprise Act 2002 to intervene in certain mergers on public interest grounds. Today's decision follows the completion of the [Phase One process](#) during which the CMA conducted an initial investigation of the potential competition implications of the transaction.

The CMA found the transaction raises the possibility of a "substantial lessening of competition across four key markets" – data centres, Internet of Things, the automotive sector and gaming applications. The full Phase One report has been published today.

In addition, following the consideration of evidence gathered from departments across government, the Secretary of State also deems that the interest of national security continues to be relevant and should be subject to further investigation.

Arm, which is headquartered in Cambridge, licenses semiconductor intellectual property and is a major player in the global semiconductor industry, with tens of billions of Arm-based chips used worldwide. The chips, based on Arm's intellectual property, power smartphones and are contained in a considerable proportion of connected devices within homes, cars and businesses. While not all individual devices relying on Arm-based chips are necessarily classed as 'critical' in themselves, the security and resilience of the broader supply chain is important for UK national security.

Digital Secretary Nadine Dorries said:

I have carefully considered the Competition and Market Authority's 'Phase One' report into NVIDIA's proposed takeover of Arm and have decided to ask them to undertake a further in-depth 'Phase Two' investigation.

Arm has a unique place in the global technology supply chain and we must make sure the implications of this transaction are fully considered. The CMA will now report to me on competition and national security grounds and provide advice on the next steps.

The government's commitment to our thriving tech sector is unwavering and we welcome foreign investment, but it is right that we fully consider the implications of this transaction.

The CMA will now lead the Phase Two investigation covering both competition and national security. It will have 24 weeks (subject to a possible eight-week extension) to conduct this investigation and deliver a final report to the Digital Secretary.

## **Next steps**

When the Digital Secretary has received the report, she must decide from the following options:

- to make an adverse public interest finding in relation to the acquisition on national security and/or competition grounds, and, if so, to take action to remedy any adverse effects to the public interest;
- to make no adverse public interest finding and refer the case back to the CMA to remedy any competition concerns identified.

## **ENDS**

## **Notes for editors**

- The Secretary of State may make a Phase Two reference to the Competition and Markets Authority under section 45(4) of the Enterprise Act 2002 if she believes that is or may be the case that: arrangements are in progress which, if carried into effect, will result in the creation of a relevant merger situation;
- the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services;
- the interests of national security (being the public interest consideration mentioned in the public interest intervention notice) are relevant to a consideration of the relevant merger situation concerned; and taking account only of the substantial lessening of competition and the interests of national security, the creation of the relevant merger situation may be expected to operate against the public interest.
- In September last year NVIDIA announced its intention to buy Arm in a deal valued at approximately \$40 billion.
- In April 2021, the previous Secretary of State for Digital, Culture, Media and Sport decided to issue a Public Interest Intervention Notice (PIIN) in respect of the acquisition.
- This instructed the CMA to carry out a Phase One investigation on both competition and jurisdictional issues. \* Meanwhile, the Government has been carrying out an investigation on national security grounds.
- The ability to intervene in this fashion falls within the Digital Secretary's statutory powers under the Enterprise Act 2002.

- The Enterprise Act 2002's main purpose is to enable the Competition and Markets Authority to scrutinise and intervene in potentially anti-competitive mergers and acquisition activity.
- The Enterprise Act 2002 also allows the relevant UK Secretary of State to make a quasi-judicial decision to intervene in mergers under the following public interest considerations: national security; media plurality; the stability of the UK financial system; to combat a public health emergency.
- If the relevant Secretary of State decides to issue a PIIN, the Competition and Markets Authority and the relevant Government departments will investigate and prepare a report to assess the transaction in greater detail. If the relevant Secretary of State refers a merger on public interest grounds, he or she also takes the final decision on whether the merger operates, or may be expected to operate against the public interest, and on any remedies for identified public interest concerns.
- The ability to intervene in transactions on the grounds of national security within the Enterprise Act 2002 is being replaced by the National Security and Investment Act once it comes into force from January 4th 2022.
- As this intervention was announced before the NSI Act regime commenced, it continues to be assessed under the Enterprise Act 2002 regime.
- Instruction Set Architectures are the basic set of instructions which control how Central Processing Units – ordinarily the main processor executing instructions in a computer, phone or device – work. These systems determine the way in which Central Processing Units interpret and respond to each instruction and thus how software communicates with underlying hardware.