

# Mergers: Commission clears acquisition of smart card maker Morpho by Advent International, subject to conditions

**Morpho** is the identity and security solutions business of the Safran group. **Advent International**, a private equity firm, controls smart card and digital security provider Oberthur. Both Oberthur and Morpho develop and supply identification and security solutions, including smart cards for the banking sector, telecommunication sector and identity document sector.

The Commission's investigation found that in France there are currently only three viable suppliers of payment smart cards holding the necessary national certifications and production sites to effectively supply French banks. The takeover would reduce that number to only two, which would significantly reduce competition.

## **The Commission's competition concerns**

The Commission's investigation focused in particular on the parties' overlapping activities in **smart card markets**.

For **SIM cards** and **electronic ID documents** (e.g. e-passports, e-ID cards, e-health cards) the Commission concluded that the merged entity would continue to face a number of credible competitors.

However, the investigation found that for **payment smart cards**, the proposed transaction, as initially notified, would have significantly reduced competition in the market for payment smart cards in France. This market is particularly difficult to enter, reducing the ability of suppliers not currently active in France to compete effectively.

The Commission found that in order to supply payment smart cards in France, manufacturers need to obtain and maintain certification for the domestic debit card scheme *Cartes Bancaires* (CB), on top of the global EMV certification standard. In addition, to compete effectively, suppliers must run in France a CB-certified manufacturing site for the personalisation of CB-certified cards.

Based on the results of its extensive market investigation, the Commission considered that the transaction, as notified, raised serious doubts as to its compatibility with the Single Market with regard to the market for payment smart cards in France.

## **The proposed commitments**

In order to address these concerns, the parties offered to divest Morpho's French subsidiary CPS, which supplies and personalises CB-certified payment smart cards to banking customers in France.

In view of the remedies proposed, the Commission concluded that the proposed transaction, as modified, would not significantly reduce competition in the European Economic Area (EEA) or any substantial part of it, including France. The Commission's decision is conditional upon full compliance with the commitments.

### **Companies and products**

**Advent International** is a US based private equity firm with holdings in various sectors.

**Oberthur**, a portfolio company controlled by Advent International, is a global digital security provider based in France which is active in the payment, identity and telecommunication sectors.

**Morpho** (Safran Identity & Security) is a global provider of identity and security solutions based in France. Morpho provides solutions and services to manage citizen identities, applications in the area of public security, and connectivity and security solutions, in particular smart cards, to serve banks, telecom operators and other commercial service providers.

### **Merger control rules and procedure**

The transaction was notified to the Commission on 24 February 2017.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II). This deadline is extended to 35 working days in case remedies are submitted by the parties, such as in this case.

More information on this case will be available on the Commission's [competition](#) website, in the public [case register](#) under the case number [M.8258](#).