



**IN THE MATTER OF THE PROPOSED
MERGER OF BANK OF THE
PHILIPPINE ISLANDS AND
ROBINSONS BANK CORPORATION**

MAO Case No. M-2023-001

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COMMISSION DECISION NO. 02-M-001/2023

This is a review of the proposed merger ("Transaction") between Bank of the Philippine Islands ("BPI") and Robinsons Bank Corporation ("Robinsons Bank"), with BPI as the surviving entity, pursuant to Sections 16¹ and 17² of Republic Act No. 10667, otherwise known as the Philippine Competition Act ("PCA"), and Section 1, Rule 4³ of the Rules and Regulations to Implement the Provisions of PCA.

Upon careful review of the findings and recommendation of the Mergers and Acquisitions Office ("MAO") and the parties' submissions, the Commission finds that the Transaction will not likely result in substantial lessening of competition for reasons discussed below.

The Relevant Market

The MAO Review Team identifies the following relevant markets in assessing the transaction:⁴

- (a) Deposit Products Offered by Universal and Commercial Banks ("UKBs");
- (b) Deposit Products Offered by Thrift Banks ("TBs");

¹ Section 16. *Review of Mergers and Acquisitions.* – The Commission shall have the power to review mergers and acquisitions based on factors deemed relevant by the Commission.

² Section 17. *Compulsory Notification.* – Parties to the merger or acquisition agreement referred to in the preceding section wherein the value of the transaction exceeds one billion pesos (P1,000,000,000.00) are prohibited from consummating their agreement until thirty (30) days after providing notification to the Commission in the form and containing the information specified in the regulations issued by the Commission: *Provided, That* the Commission shall promulgate other criteria, such as increased market share in the relevant market in excess of minimum thresholds, that may be applied specifically to a sector, or across some or all sectors, in determining whether parties to a merger or acquisition shall notify the Commission under this Chapter. xxx

³ Section 1, Rule 4. *Review of mergers and acquisitions.* – The Commission, *motu proprio* or upon notification as provided under these Rules, shall have the power to review mergers and acquisitions having a direct, substantial and reasonably foreseeable effect on trade, industry, or commerce in the Philippines, based on factors deemed relevant by the Commission. xxx

⁴ As a starting point in identifying candidate relevant markets possibly affected by the Proposed Transaction, the overlapping lines of business and vertical relationships between the Notifying Groups were considered. The relevant markets were further determined based on information gathered during the Review proper conducted by the MAO.



- (c) Loans Offered by UKBs;
- (d) Credit Card Issuance;
- (e) Trust Management;
- (f) Life Insurance Products Offered through Bancassurance Partnerships and through Standalone Life Insurance Companies;
- (g) Merchant Acquiring; and
- (h) Commercial Leasing.

As for the relevant geographic market for the identified product markets, the scope of the assessment is nationwide because consumers can open a deposit account and transact through traditional bank branches of BPI and Robinsons Bank across the Philippines.

No Impairment of Competition in the Relevant Markets of (i) Deposit Products Offered by UKBs and TBs; (ii) Loans Offered by UKBs; (iii) Credit Card Issuance; (iv) Trust Management; and (v) Merchant Acquiring Services

Pre-Transaction, BPI is the third largest bank in the country in terms of total assets and deposits. It has significant shares in the relevant markets of (i) Deposit Products Offered by UKBs; (ii) Loans Offered by UKBs; (iii) Credit Card Issuance; and (iv) Trust Management. Robinsons Bank, in contrast, does not have any significant share in the identified relevant markets. Post-transaction, BPI, as the surviving entity, will merely retain its current position as one of the largest players in the identified relevant markets.

In the market of deposit products offered by TBs, BPI Direct Banko and Legazpi Savings Bank (subsidiaries of BPI and Robinsons Bank, respectively) do not have significant market shares, pre- and post-Transaction. Pre-Transaction, both TBs are in the top 20 players in the market. Post-Transaction, BPI Direct Banko will simply retain its place in the market, with a negligible increase in its market share.

In the market for merchant acquiring services, pre-Transaction, BPI has a minimal market share, while Robinsons Bank is among the top industry players. Post-Transaction, BPI's ranking will not even breach the top 5 industry players. The joint venture of BPI with Global Payments, Inc.⁵ ("Global Payments"), one of the top players in the merchant acquiring services, will not affect BPI's market power. BPI and Global Payments are independent entities, and the former has no operational control over the latter. In the event BPI exercises decisive influence over Global Payments, the presence of other merchant acquirers and the ease of switching by merchants provide

⁵ A US-based provider of payment technology services that provides merchant acquiring and payment services in the Philippines. It is also one of the top merchant acquirers in the national market.

significant competitive constraints upon the merged entity, preventing BPI from increasing its prices or decreasing its quality of service.

Although BPI is one of the largest banks in the country, its post-Transaction market share is insufficient to substantially lessen market competition. The presence of the remaining market players, including bigger banks, pose sufficient competitive pressure on the surviving entity.

It is also observed that bank clients ordinarily maintain accounts and avail of the services or products of multiple banks simultaneously. With the ease of switching from one bank to another, customers in these markets are sensitive to changes in the price and quality of products and services, more so for the markets for Deposit Products offered by UKBs and TBs, Loan Products, and Trust Management. This behavior by customers applies significant pressure on the players in the market, including the merged entity, to maintain competitive pricing and good quality of service.

Competitive Assessment on the Non-Horizontal Effects of the Transaction

Post-Transaction, there is no increase in the merged entity's ability or incentive to foreclose competitors or customers on (i) Loan Products offered to Corporate Clients; (ii) Bancassurance Products; (iii) Fund Transfer Mechanism to Digital Banks; (iv) Commercial Leasing Services to Banks; and (v) Merchant Acquiring Services to Commercial Leasing Tenants.

To determine whether a transaction will increase the ability or incentive of a merged entity to engage in input and customer foreclosure, it must be established that the merged firm will occupy a dominant position, post-transaction.

In Loan Products offered to Corporate Clients, BPI's market share, post-Transaction, is lower than the 50% presumed dominance threshold.⁶ Thus, it will not have enough market power to foreclose the rivals of its subsidiaries. BPI's competitors' offer of alternative or substitute loan services will further deter BPI from engaging in any foreclosure strategy.

In Bancassurance Products, the merged entity does not hold significant market share. The bancassurance partnership of BPI,⁷ BPI-AIA Life Assurance Corporation ("BPI-AIA"), is among the top 10 largest players in the market, pre-Transaction, and will remain as such post-Transaction. The bancassurance partnership of Robinsons Bank

⁶ Section 3, Rule 8, Implementing Rules and Regulations of R.A. No. 10667 ("PCA IRR"). *Presumption of dominance*. – There shall be a rebuttable presumption of market dominant position if the market share of an entity in the relevant market is at least fifty percent (50%) unless a new market share threshold is determined by the Commission for that particular sector.

⁷ Together with AIA Philippines Life and General Insurance Company, Inc.

with Pru Life UK shall be terminated as a precondition to the Transaction, however, the merger is still less likely to result in customer foreclosure. Prospective policy holders of life insurance products through bancassurance could still avail of these types of products from other banks. Further, the prospective policyholders of Pru Life UK can still avail of Pru Life UK's products through other distribution channels such as direct sales agents, brokers, and other intermediaries.

In Digital Banking Service, BPI is not engaged in digital banking although it offers online banking,⁸ while Robinsons Bank has 20% ownership interest over GoTyme Bank Corporation ("GoTyme").⁹ Post-Transaction, BPI will be able to enter the digital banking market through GoTyme. Although BPI is one of the major traditional banks, it will have no incentive to foreclose¹⁰ other banks from funding GoTyme accounts because its client base is not enough to increase the scale of operations of GoTyme. Further, there are already other fully operational digital banks¹¹ in the country that could impose competitive constraints upon the merged entity. Moreover, GoTyme has a relatively small loan portfolio compared to other competing digital banks, as shown in the table below:

Loan Portfolio of Philippine Digital Banks as of December 2022	
<i>Digital Banks</i>	<i>Net Loan Portfolio¹² (PhP)</i>
Union Digital Bank	5,737,720,808.95 ¹³
Maya Bank, Inc.	2,375,333,189.81 ¹⁴
GoTyme Bank Corporation	538,792,952.00 ¹⁵
UnoBank, Inc.	643,141.09 ¹⁶

Actions by BPI to prohibit or foreclose GoTyme transactions with other banks may result to significant decrease in customer satisfaction, which will eventually encourage

⁸ Online banking, as distinguished from digital banking, is only an extension of the services of traditional banks with brick-and mortar branches. It only enables customers to carry out banking activities on an internet-enabled device.

⁹ GoTyme is a digital bank that offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch.

¹⁰ Foreclosure may occur by: (i) BPI not allowing other banks to transfer funds to GoTyme accounts (total foreclosure); (ii) imposing a maximum amount of funds to be transferred (partial foreclosure); (iii) or imposing a receiving fee for fund transfers from other banks (raising rivals' costs).

¹¹ Currently, there are six digital banks in the Philippines, namely: (i) Tonik Digital Bank, Inc.; (ii) Maya Bank, Inc.; (iii) Overseas Filipino Bank; (iv) UNObank, Inc.; (v) UnionDigital Bank, inc.; and (vi) GoTyme Bank Corporation.

¹² Taken from the Published Balance Sheets of the respective Digital Banks, as of 31 December 2022, downloadable through: <https://www.bsp.gov.ph/SitePages/Statistics/BSFinancialStatements.aspx?TabId=3>, last accessed on 09 March 2023.

¹³ *Id.*, Published Balance Sheet of Union Digital Bank as of 31 December 2022.

¹⁴ *Id.*, Published Balance Sheet of Maya Bank, Inc. as of 31 December 2022.

¹⁵ *Id.*, Published Balance Sheet of GoTyme Bank Corporation as of 31 December 2022.

¹⁶ *Id.*, Published Balance Sheet of UnoBank, Inc. as of 31 December 2022.

customers to switch to other digital banks that offer better and more cost-efficient products and services.

Despite being one of the biggest banks in the country, BPI's share in deposit products is not sufficient to leverage its market power from traditional banking services to GoTyme. Post-Transaction, BPI cannot leverage its participation in digital banking to foreclose other UKBs as there is still strong preference for traditional banking especially for large transactions. To note, two other digital banks licensed by the BSP are also subsidiaries of other UKBs.¹⁷ These players could provide sufficient competitive pressure on GoTyme.

In Commercial Leasing, the Ultimate Parent Entities ("UPE")¹⁸ of the merging parties own two of the biggest commercial real estate developers in the Philippines. However, there is existing competitive pressure from other developers who also provide leasing services to the competitors of the merged entity. In the case of mall developments, developers often locate near one another, and do not often limit their leased spaces to any one business, including competitor banks of BPI. Further, in the provision of commercial leasing to ATMs of competitor banks, foreclosure is less likely because developers, including the UPE's of the merging parties, prefer that there be more ATMs in their malls because the money withdrawn from them would increase the volume of transactions inside the malls.

In Merchant Acquiring Services to Commercial Leasing Tenants, while the merged entity has the ability to foreclose other banks, BPI and Robinsons Bank, pre-Transaction, did not engage in foreclosure against their commercial leasing tenants that availed of their merchant acquiring services. Further, both parties currently allow their tenants to avail of the merchant acquiring services of other banks and neither of the parties impose exclusivity arrangements.

For all the foregoing reasons, the Commission finds that the Transaction is not likely to result in a substantial lessening of competition.

ACCORDINGLY, the Commission resolves to **CLEAR** the Transaction between BPI and Robinsons Bank.

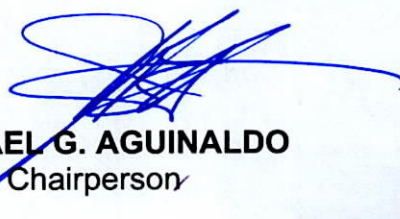
This Decision is rendered solely based on the facts disclosed, circumstances of the proposed Transaction, and documents submitted by BPI and Robinsons Bank.

9 March 2023.

¹⁷ UnionDigital Bank, Inc. is a subsidiary of UnionBank. Overseas Filipino Bank is a wholly-owned and fully controlled subsidiary of Landbank.

¹⁸ Mermac, Inc. and JG Summit Holdings, Inc., for BPI and Robinsons Bank, respectively.




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