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Common Market for Eastern and Southern Africa

Case File No. CCC/MER/02/07/2024

Decision[1] of the 106th Meeting of the Committee Responsible for Initial Determinations Regarding the Proposed Merger involving AFG Holding SA and Access Microfinance Holding AG

ECONOMIC SECTOR: Banking and Financial Services

COMESA COMPETITION COMMISSION
04 MAY 2024

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[1] In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

The Committee Responsible for Initial Determinations,

Cognisant of Article 55 of the Treaty establishing the Common Market for Eastern and Southern Africa (the "**COMESA Treaty**");

Having regard to the COMESA Competition Regulations of 2004 (the "**Regulations**"), and in particular Part 4 thereof;

Mindful of the COMESA Competition Rules of 2004, as amended by the COMESA Competition [Amendment] Rules, 2014 (the "**Rules**");

Conscious of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation of 2015;

Recalling the overriding need to establish a Common Market;

Recognising that anti-competitive mergers may constitute an obstacle to the achievement of economic growth, trade liberalization and economic efficiency in the COMESA Member States;

Considering that the continued growth in regionalization of business activities correspondingly increases the likelihood that anti-competitive mergers in one Member State may adversely affect competition in another Member State,

Desirability of the overriding COMESA Treaty objective of strengthening and achieving convergence of COMESA Member States' economies through the attainment of full market integration,

Having regard to the COMESA Merger Assessment Guidelines of 2014,

Determines as follows:

Introduction and Relevant Background

1. On 18 March 2024, the COMESA Competition Commission (the "**Commission**") received a notification for approval of a merger involving AFG Holding SA ("**AFG Holding**" or the "**Acquiring Firm**") and Access Microfinance Holding AG ("**Access Microfinance**"), pursuant to Article 24(1) of the Regulations.

2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.

3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.

The Parties

AFG Holding (the Acquiring Firm)

4. The parties submitted that AFG Holding, based in Cote d'Ivoire, is the banking division of Atlantic Group, a panAfrican conglomerate with 40 years of activity in banking industry and operations in insurance, industrial and agribusiness sectors. AFG Holding currently has 6 operating banks:

   i. Banque Atlantique Cameroun

   ii. Banque Internationale pour le Commerce et l'Industrie in Gabon

   iii. Banque Internationale pour le Commerce et l'Industrie in Mali

   iv. Banque Internationale pour le Commerce in Comoros

   v. AFG Bank Cote d'Ivoire; and

   vi. AFG Bank Madagascar.

5. It was submitted that AFG Bank Cote d'Ivoire and AFG Bank Madagascar started operations in the beginning of 2024.

Access Microfinance (The Seller)

6. Access Microfinance is a private company incorporated in Germany. It was founded in 2006 as a partnership among high profile investors from the public sphere (Development Finance Institutions) and private sector impact investors.[2] Access Microfinance invests into and manages strategic majority equity stakes in its network banks. Unlike typical portfolio investors, being strategic owners they are investing into future growth and a permanent stake.

7. The parties submitted that Access Microfinance is the majority shareholder of 5 microfinance banks which are the targets in this transaction:

   i. AccessBank Liberia

   ii. AB Microfinance Bank Nigeria

   iii. AccèsBanque Madagascar

   iv. AB Bank Rwanda; and

   v. AB Bank Zambia.

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[2] https://accessholding.com/

8. The level of its controlling interests is as summarised in Table 2 below.

Table 1: Subsidiaries of Access Microfinance

Bank	Country	Ownership interest
AB Microfinance Bank Liberia Limited	Liberia	73.23%
AB Microfinance Bank Nigeria Limited	Nigeria	60.10%
AccèsBanque Madagascar	Madagascar	75.28%
AB Rwanda Plc	Rwanda	67.88%
AB Bank Zambia Limited	Zambia	60.44%

Jurisdiction of the Commission

9. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") provides that:

> *Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or* the *target firm, operate in two or more Member States, shall be notifiable if:*
>
> a) *the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds USD 50 million; and*
>
> b) *the annual turnover or value of assets, whichever is higher, in the* Common Market of each of at least two of the parties to a merger equals *or exceeds USD 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*

10. The undertakings concerned have operations in two or more Member States. The undertakings concerned held a combined asset value in excess of the threshold of USD 50 million in the Common Market and they each held assets of more than USD 10 million in the Common Market. In addition, the parties did not hold assets of more than two-thirds of their respective aggregate COMESA-wide assets within one and the same Member State. The Commission is thus satisfied that the transaction constitutes a notifiable transaction within the meaning of Article 23(5)(a) of the Regulations.

Details of the Merger

11. The parties submitted that the Proposed Transaction is an acquisition of indirect controlling interests by AFG Holding in the 5 microfinance banks owned by Access Microfinance. AFG Holding will acquire 76.23% of Access Microfinance immediately

COMESA COMPETITION COMMISSION * 04 MAY 2024 following the obtention of regulatory approvals and the remaining 23.77% held by LFS by December 2025 at the latest. Therefore, AFG Holding intends to own 100% of Access Microfinance by the end of 2025.

12. For AFG Holding, the Transaction is consistent with its strategic development plan with the ambition of creating an integrated pan-African banking group offering micro financial services through banking and microfinance banking subsidiaries.

13. The parties submitted that the transaction also constitutes an opportunity to develop technologically cutting-edge microfinance/banking group offering fully digital services. According to the parties, as a result of its experience and strong expertise in telecommunications, IT and financial services, AFG Holding is uniquely positioned to develop digital financial services which will be combined with digital expertise, strategy and solutions developed within Access Microfinance.

Competition Assesement

Consideration of the Relevant Markets

Relevant Product Market

14. Paragraph 7 of the Commission's Guidelines on Market Definition states that a *"relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer/customer, by reason of the products' characteristics, their prices and their intended use".*

15. The acquiring group provides the following services in the Common Market (through its subsidiary in Comoros and Madagascar) – retail, business, and corporate and investment banking.

16. The target business comprises five microfinance banks, of which only three operate in the Common Market. The target firms operating in the Common Market provide the following services:

    i. AB Bank Zambia – Direct loans to MSME, Overdrafts to SME, Agriculture loans to MSME, Current and Savings accounts, Term deposits (fixed deposits), Domestic and international money transfers, and foreign exchange transactions.

    ii. AB Bank Rwanda– Micro-enterprise loans, Agriculture loans for micro-sized farms, Current and savings deposit accounts, Term deposit accounts, Domestic money transfer services to other financial institutions and mobile platforms.

    iii. AccèsBanque Madagascar – MSME Loans, Agro Loans, Credit Cards, Overdrafts, Current accounts, Savings Accounts, Term Deposits, Reception of international money transfers through Money Gram, Debit cards, Credit Cards, Internet Banking, Mobile App, Messenger Banking, Agency Banking.

17. The Parties are thus both active in the provision of retail banking services. The CID has previously identified a distinct market for retail banking services. Retail banking generally comprises banking services to private individuals and very small enterprises. Distinct markets for retail and corporate customers can be identified because the needs and behaviour of individuals and very small enterprises are different from those of larger corporate customers. Relative to the commercial banking segment, retail banking products tend to be more standardised and less complex, facilitating the introduction of new products into existing distribution channels. Retail customers would further not have access to the range of facilities available under corporate banking as typically a threshold of turnover or revenue need to be achieved. Customer relationship generally plays a more important relationship in corporate banking where companies may require tailor-made solutions for loans and daily banking. It is highly unlikely that in response to a small but significant non-transitory increase in interest rates of bank charges on retail product offerings, a significant number of retail customers would be able to switch to corporate product offerings.

18. It is observed that the target banks do not offer corporate banking services. As a result, the CID has focussed its assessment on the retail banking segment. The CID has further considered whether this market could be segmented by type of products offered.

19. The target banks' products can be categorised into three main groups: payment services, deposit services, and lending services. Each group performs remarkedly distinct functions and there is no direct demand substitutability between them. For instance, an individual applying for a loan to pay off debts or for investment opportunities will be unaffected by the rates on deposit accounts as the latter will not serve his/her purpose. Customers are free to transact with different banks for different types of products; for instance, customers are not required to have deposit accounts at the same bank in order to benefit from a loan, but rather must demonstrate proof of sustainable income and/or collaterals. Further, the risks associated with lending and payment products make the conditions of competition substantially different for deposits products which the customer has to satisfy the bank in order mitigate against any associated risks.

20. These three categories can be further segmented: for instance, loans offered by the parties differ in terms of repayment periods, credit limit and other terms and conditions. Similarly, within the savings category, retail customers can choose between products which provide basic savings options, but which differ in terms of minimum balance requirements, interest rates, withdrawal limits, etc. However, competition authorities

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have generally considered that while there is some degree of differentiation among the products offered within each category of product, there exists some degree of demand substitutability across the sub products.[3] It is also noted from a supply perspective that the various products are extensively linked due to the fact that they are distributed through the same branch offices, mobile and internet banking facilities.[4] Most banks offer all or at least a wide range of products under a given category to offer a one-stop shopping experience for customers who would save on information costs.

21. In view of the above, while there are some indications that narrower markets could exist, given that the transaction would not under any alternative product market definition raise serious doubts as to its compatibility with the Common Market, the CID has considered that the respective markets for loans, deposits and payment services do not warrant further segmentation.[5]

22. The CID has also considered whether the microinsurance products offered by the target can be viewed as interchangeable in the eyes of consumers (in particular for low-income individuals, MSMEs, and SMEs) with products from traditional banks.

23. Microfinance can be broadly defined as the provision of small-scale financial services such as savings, credit and other essential financial services to poor and low-income people[6]. The term 'microfinance institution' (MFI) refers to a broad range of organisations dedicated to providing these services and includes non-governmental organisations, credit unions, cooperatives, registered banking institutions, non-bank financial institutions and parts of State-owned banks.[7] While more formal MFIs are increasingly similar to standard banks, they retain peculiar characteristics. MFIs can be distinguished from traditional banks by virtue of their innovative ways of reaching the underserved and poorest customers, not suitable to mainstream institutions, mixing unorthodox techniques such as group lending and monitoring, progressive lending (according to which loans are divided in regular instalments that can be

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[3] European Commission Case No COMP/M.4844 - Fortis/ ABN AMRO Assets - Notification of 14 August 2007 pursuant to Article 4 of Council Regulation, No 139/20041.

[4] A similar finding was established by the European Commission in its approval of the merger between Nordbanken and Postgirot who were also active in the banking sector (Case No COMP/M.2567, decision dated 08/11/2001, paragraph 38).

[5] This is in line with previous decisions of the CID: See for instance the CID decisions in the merger involving Transnational Bank Plc and Access Bank Plc (2019); and the acquisition by Arab Bank Corporation (B.S.C) of Blom Bank Egypt S.A.E (2021).

[6] T.A Watkins, Introduction to Microfinance. May 2018, 1-34, World Scientific Publishing. Accessed at: https://www.worldscientific.com/doi/pdf/10.1142/9789813140745_0001

[7] R.M Visconti, 'Microfinance vs. traditional banking in developing countries'. International Journal of Financial Innovation in Banking, Vol. 1, Nos. 1/2, 2016. Accessed at: https://www.morovisconti.com/workspace/uploads/documents/microfinance-vs-traditional-banking.pdf

cashed by the borrower only if repayment records are positive), short repayment instalments, deposits or notional collateral.[8]

24. From a supply perspective, it is also reported that cost of capital grows with risk and is traditionally higher in MFIs compared to mainstream banks. MFIs also tend to suffer from lack of economies of scale; small loans have high unitary costs of screening and monitoring, which substantially increase operating costs.[9]

25. A bridge between MFIs and commercial banks could be established, either with organic growth and development of the former, or with outreach of mainstream banks to the microfinance market. Regarding microcredit as an additional market segment could be important for banks in order to increase activities in terms of outreach and in business sectors (European Microfinance Network, 2015). Nonetheless, according to Cozarenco (2015), "*in most European countries, MFIs and banks are not in direct competition. They serve different segments of the market and provide complementary services. Collaboration benefits all parties. For MFIs, partnerships ease access to funding and cost-reducing technologies. They contribute to the expansion of MFI lending activities and improve their financial performance. Banks benefit from a better image through corporate social responsibility. Microfinance facilitates the construction of a pool of prospective, profitable clients. Additionally, collaboration creates cross-selling opportunities for banks*".[10]

26. While microfinance institutions face some degree of competition from traditional banking institutions, the different financial requirements and conditions that they offer to low income and poor customers face compared to traditional banks, suggest that the competitive constraints imposed by traditional banks is relatively limited, which would lead towards the identification of separate markets. In ***MyBucks/Opportunity***, the CID identified distinct markets for microfinance services.[11]

27. In view of the foregoing, the CID thus considers that distinct markets can be identified for the provision of micro loans and micro deposit services.

28. With regard to payment services, the CID observes that the targets offer similar payment methods as would be provided by traditional banks, such as domestic and international transfers, debit/credit cards, internet banking, and mobile banking. Moreover, new payment methods are increasingly being proposed by banks and other

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[8] *Ibid*.

[9] S Zamore, L.A Beisland, R Mersland, 'Excessive focus on risk? Non-performing loans and efficiency of microfinance institutions', International Journal of Finance and Economics, Vol 28(2) April 2023. Accessed at: https://onlinelibrary.wiley.com/doi/full/10.1002/ijfe.2477

[10] Cozarenco, A. (2015) Microfinance Institutions and Banks in Europe: The story to Date, No. 15-027, Working Papers CEB, Université Libre de Bruxelles. Accessed at: https://ideas.repec.org/p/sol/wpaper/2013-205339.html

[11] Decision of the 22nd CID meeting regarding the merger between MyBucks S.A and Opportunity Internaional Group (23 June 2026). Accessed at: https://comesacompetition.org/wp-content/uploads/2023/05/CID-Decision-MyBuck_Opportunity-International-Group.pdf

financial institutions, geared towards enhancing ease and convenience which with payments can be effected and taking into account the various categories of customers to be served. As a result, the CID considers that the market for the provision of payment services does not warrant further segmentation.

29. For purposes of this assessment, the relevant product markets are therefore:
    i. Provision of micro deposit services.
    ii. Provision of micro lending services; and
    iii. Provision of payment services.

Relevant Geographic Market

30. The Commission's Guidelines on Market Definition define the relevant geographic market as follows:

> ***"The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas"*** [12].

31. The CID has traditionally held that banks and other financial institutions tend to operate within the confines of the national law of a particular country by virtue of the licences they are given[13]. It is unlikely that as a result of more favourable conditions in other countries, the merging parties would be able to easily switch to set up operations or branches in these other countries, as they would need to obtain the relevant licenses in these jurisdictions. The time required for seeking regulatory approvals in other Member States would not allow the merging parties to enter in a manner that is swift and without risks, as contemplated under the SSNIP test. The need for banks to establish local branches also points towards the existence of a national market.

32. From a demand perspective, it is highly unlikely that a significant number of low-income individuals or SMEs located in Zambia, for instance, would be able or willing to substitute purchase of micro loans or deposits services from Zambia to another country in response to a small but significant deterioration of the terms and conditions offered by microfinance institutions in Zambia.

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[12] Paragraph 8.
[13] CID decisions in Transnational Bank Plc/ Access Bank Plc (2019); Arab Bank Corporation (B.S.C)/ Blom Bank Egypt S.A.E (2021); ABSA/ Mauritian Retail and Business Banking Branch of HSBC (2024).

33. Therefore, the CID considers that the geographic scope for the provision of micro loans and micro deposit services is at most national.

34. With regard to payment services, while advancements in technology have facilitated global payment services, most of these platforms still necessitate registration, electronic wallets, or accounts with local financial institutions for international payments. There exist payment platforms whose services consumers can procure irrespective of their location; however, these tend to come with other limitations. For example, PayPal, whilst widely accessible, still requires a valid credit card issued by a financial institution, likely to be the country of domicile) and American Express (Amex) caters to a specific income category. It is also recognized that certain customers that have residential status or commercial activities in more than one country may be able to conduct transactions across borders with relative ease. However, such cross-border transactions would only apply to a limited segment of customers, typically in a higher income segment.

35. In view of the foregoing, the CID is satisfied that the relevant markets for purposes of this assessment are national. Having regard to the areas of operations of the merging parties in the Common Market, the relevant geographic markets are Comoros, Madagascar, Rwanda, and Zambia.

Conclusion on Relevant Markets

36. Based on the foregoing assessment, and without prejudice to the CID's approach in similar future cases, the relevant markets in the Common Market have been identified as:

i. **Provision of micro deposit services in each of Comoros, Madagascar, Rwanda, and Zambia.**

ii. **Provision of micro lending services in each of Comoros, Madagascar, Rwanda, and Zambia; and**

iii. **Provision of payment services in each of Comoros, Madagascar, Rwanda, and Zambia.**

Market Shares and Concentration

37. The acquiring group is not present in the markets for micro loans and micro deposits. The merging parties submitted that for the years 2022 and 2023, the target's market shares in the broad market for banking services in Zambia was 1%. AB Bank Zambia is officially classified as a commercial bank in Zambia. This notwithstanding, the transaction would not result in any market share accretion either in the broad banking market or in the narrower microfinance market, as the acquiring group is not present in Zambia. The markets are further characterized by the presence of numerous

players. According to the Bank of Zambia, there were 17 registered commercial banks[14] and 34 microfinance institutions as of February 2024.[15]

38. According to National Bank of Rwanda, as of May 2022, there were only 3 microfinance institutions, including AB Bank Rwanda Plc[16]. The parties estimate the target's market share at 5% in Rwanda. In any event, it is noted that the transaction will not result in any change in market structure in view of the absence of overlaps.

39. In Madagascar, the parties estimate the target's market share at 2.2% in the broad banking market. It is observed that since 2024, the acquirer is also present in Madagascar. However, as noted above, the acquirer is not active in the microfinance segment. As a result, the transaction will not lead to a change in market structure in the relevant markets, nor is it expected to lead to a material change in the market structure of the broader banking market.

40. Whilst information on the acquiring firm's market share in the broader banking market in Comoros was not available, it is noted that the target did not have operations in Comoros pre-merger. As such, the transaction is not capable of resulting in any change in market structure in Comoros.

41. Notwithstanding the absence of market shares for the narrower relevant markets identified above, it is observed that the target generally does not have a strong market presence at national level in any of the above-mentioned Member States, and further the transaction will not result in any market share accretion.

42. The main barrier to entry into the relevant markets is the regulatory requirements of the banking sector. The sector regulator requires that all banks be licensed, and the application process requires an in-depth assessment of the viability of the business of the prospective licensee as well as the suitability of its directors and shareholders. Furthermore, even after a license is issued various continuing compliance obligations such as solvency capital requirements remain in place. Further, financial activities of microfinance institutions are subject to extensive regulation by separate regulators as there is a perception of high risk associated with the informality of business activity among many existing microfinance institutions. Regulations on permitted forms of ownership and control of MFIs constitute significant barriers to entry.

43. In addition to the complex legal framework, new entrants also need to invest in credit technologies and financial products that will bring down the cost of financial intermediation for their customers in order to be competitive on the market.

[14] https://www.boz.zm/Registered_Banks_February_2024.pdf
[15] https://www.boz.zm/Licensed_NBFIS_Feb_2024.pdf
[16] https://www.bnr.rw/financial-stability/bank-supervision/licensed-banks/

44. According to the parties, there has been no new entry in the banking market in Zambia and Rwanda in recent years, whilst in Madagascar, entry includes MVola Bank (a mobile money operator who obtained banking license (2022), and AFG Bank Madagascar, a subsidiary of the acquiring group (2023).

45. The CID observes that whilst there are regulatory barriers to entry, the current transaction does not raise further threats that may hamper potential entrants.

46. As noted above, the transaction will not result in horizontal overlaps in the relevant markets for microfinance products. Further, in view of the relatively small market position of the target, the transaction is not capable of resulting in the creation or strengthening of dominance in the relevant markets. Further, in view of the differentiated product portfolio of microfinance institutions, the transaction is not expected to facilitate nor create conditions for successful coordinated action.

Consideration of Third-Party Views

47. In arriving at its determination, the CID also considered submissions from the National Competition Agencies of Madagascar, Rwanda and Zambia which confirmed the absence of competition and public interest concerns.

Determination

48. The CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor will it be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.

49. The CID, therefore, approved the transaction.

50. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 04th day of May 2024

Commissioner Dr Mahmoud Momtaz (Chairperson)

Commissioner Lloyds Vincent Nkhoma **Commissioner Islam Tagelsir Ahmed Alhasan**