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NAB faces limited options in Axa bid

ACCC unlikely to change its mind

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National Australia Bank's (NAB) options in achieving a successful takeover of Axa Asia Pacific's (Axa AP) Australian and New Zealand businesses are limited, after the Australian Competition and Consumer Commission (ACCC) blocked the transaction, analysts have said.

"I think it is very unlikely the ACCC will turn around after saying something as strong as this," Credit Suisse insurance and diversified financials analyst Arjan van Veen said.

CMC Markets analyst David Taylor agreed that the ACCC's wording has left NAB in a tight spot. "The ACCC's main concern is that sophisticated investors wouldn't have an appropriate choice of financial products," Taylor said.

The ACCC blocked the transaction on Wednesday 19 April, stating concerns over the dominance of the combined group in the wrap platform market.

According to data from Investment Trends, a combination of the NAB/MLC and Axa AP platforms, including Aviva's Navigator, would give them a market share of 22 per cent of all yearly inflows into platforms written by advisers.

This would place them as the second-largest player in the market after the BT/Asgard combination, which currently takes up 26 per cent of all new adviser inflows.

The Commonwealth Bank of Australia/Colonial combination, which has a market share of about 17 per cent, would rank third.

NAB said in a statement yesterday that it did not agree with the ACCC decision.

"NAB believes that the ACCC's characterisation of the relevant market is incorrect," the bank said.

"It does not agree that there is any substantial lessening of competition, including in the segment of the market that provides retail investment platforms for investors with complex investment needs."

NAB said there were a range of options open to the bank and that these were being actively pursued.

NAB is likely to enter discussions with the regulator about potential divestments to make the acquisition work.

But Van Veen said the wording of the regulator's statement left little room for manoeuvring. "The ACCC is starting to say that even if they divest a platform, it doesn't solve the problem," he said.

NAB could also choose to litigate against the decision, but this could be a rather lengthy process.

"If NAB takes them to court, then Axa [SA] might say: 'we will go with AMP, thank you,'" Van Veen said.

Platform competition issues would rule out a takeover by most of the large financial services players in Australia, except for AMP, which rents platforms from external providers.

The ACCC has approved a lapsed bid of AMP and the wealth manager said it could put forward a proposal.

Australia and New Zealand Banking Group (ANZ) has also been suggested as a bidder, but a spokesperson said ANZ remains focused on the "integration of ING Australia and organic growth".

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