



Determination No. M/04/027 of the Competition Authority, dated 3rd June 2004, under Section 21 of the Competition Act, 2002

Notification No. M/04/027 – Proposed acquisition by Morgan Stanley of Barra Inc.

Introduction

1. On 4th May 2004 the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Morgan Stanley would acquire 100% of Barra Inc. (“Barra”) Following completion of the transaction, Morgan Stanley proposes to merge Barra with Morgan Stanley Capital International Inc (MSCI), a company in which Morgan Stanley has a 90% equity interest.

The Parties

2. Morgan Stanley is a provider of global financial services for individual, institutional and investment banking clients. Its sales in Ireland in the most recent financial year were approximately €105 million. MSCI, with which it is proposed to merge Barra, provides equity indices and benchmark products that are used by investment managers to implement efficient trading strategies. MSCI derived a turnover in Ireland of €[0-2] million in the most recent financial year.
3. Barra’s principal business is providing risk management systems and services to managers of portfolio investment risk. Its products evaluate the risk associated with investment decisions, benchmarking the risk profiles against an index selected by the client. Barra is headquartered in the US and has offices around the world, though not in Ireland. It estimates that its sales in Ireland amount to less than €[0-2] million.

Analysis

4. Barra’s analytics software can be used in conjunction with the benchmark products of MSCI in order to understand the returns and volatility of a portfolio and modify the constituents of the portfolio in order to alter the level of risk and return. The products are thus complementary although they do not directly overlap. Barra estimates its share of risk management software products worldwide and in Ireland at approximately 10%. Given that Barra’s sales in Ireland are not significant and that there are other providers of risk management services including Factset/Northfield, Wilshire Associates and APT, the transaction does not give rise to competition concerns.



The Competition Authority
An tÚdarás Iomaíochta

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Morgan Stanley of Barra Inc. will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority

3rd June 2004