
THE MERGER CONTROL REVIEW

FOURTH EDITION

EDITOR
ILENE KNABLE GOTTS

LAW BUSINESS RESEARCH

THE MERGER CONTROL REVIEW

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THE MERGER CONTROL REVIEW

Fourth Edition

Editor
ILENE KNABLE GOTTS

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CONTENTS

Editor's Prefaceix
	<i>Ilene Knable Gotts</i>
Chapter 1	AUSTRALIA..... 1
	<i>Peter Armitage, Amanda Tesvic and Ross Zaurrini</i>
Chapter 2	BELGIUM 17
	<i>Carmen Verdonck and Jenna Auwerx</i>
Chapter 3	BOSNIA AND HERZEGOVINA 31
	<i>Rastko Petaković</i>
Chapter 4	BRAZIL..... 40
	<i>Lauro Celidonio Neto, Amadeu Ribeiro and Marcio Dias Soares</i>
Chapter 5	CANADA..... 51
	<i>Dany H Assaf and Arezou Farivar</i>
Chapter 6	CHINA 66
	<i>Susan Ning</i>
Chapter 7	COLOMBIA..... 75
	<i>Dario Cadena Lleras and Eduardo A Wiesner</i>
Chapter 8	COSTA RICA 83
	<i>Edgar Odio</i>
Chapter 9	CYPRUS 93
	<i>Elias Neocleous and Ramona Livera</i>

Chapter 10	DENMARK.....	103
	<i>Christina Heiberg-Grevy and Malene Gry-Jensen</i>	
Chapter 11	ECUADOR.....	111
	<i>Diego Pérez-Ordóñez and José Urizar</i>	
Chapter 12	EUROPEAN UNION	120
	<i>Mario Todino, Piero Fattori and Alberto Pera</i>	
Chapter 13	FINLAND.....	136
	<i>Niko Hukkinen and Sari Rasinkangas</i>	
Chapter 14	FRANCE.....	146
	<i>Hugues Calvet and Olivier Billard</i>	
Chapter 15	GERMANY.....	165
	<i>Götz Drauz and Michael Rosenthal</i>	
Chapter 16	GHANA.....	175
	<i>Rosa Kudoadzi and Esaa Elorm Adzo Acolatse</i>	
Chapter 17	GREECE.....	185
	<i>Alkiviades C A Psarras</i>	
Chapter 18	HONG KONG.....	195
	<i>Sharon Henrick, Joshua Cole and Tina Zhuo</i>	
Chapter 19	INDIA.....	207
	<i>Rajiv K Luthra and G R Bhatia</i>	
Chapter 20	INDONESIA.....	220
	<i>Theodoor Bakker and Luky I Walalangi</i>	
Chapter 21	IRELAND.....	232
	<i>Helen Kelly</i>	

Chapter 22	ITALY.....	242
	<i>Rino Caiazza and Francesca Costantini</i>	
Chapter 23	JAPAN.....	251
	<i>Yusuke Nakano, Vassili Moussis and Kiyoko Yagami</i>	
Chapter 24	KOREA.....	264
	<i>Sai Ree Yun, Seuk Joon Lee, Cecil Saehoon Chung and Kyoung Yeon Kim</i>	
Chapter 25	LITHUANIA.....	272
	<i>Giedrius Kolesnikovas and Emil Radzihovsky</i>	
Chapter 26	MALAYSIA.....	282
	<i>Jeff Leong</i>	
Chapter 27	NETHERLANDS.....	292
	<i>Gerrit Oosterhuis and Weijer VerLoren van Themaat</i>	
Chapter 28	NIGERIA.....	304
	<i>Afoke Igwe</i>	
Chapter 29	NORWAY.....	317
	<i>Thea Susanne Skaug and Janne Riveland</i>	
Chapter 30	PAKISTAN.....	326
	<i>Mujtaba Jamal</i>	
Chapter 31	PORTUGAL.....	335
	<i>Gonçalo Anastácio and Alberto Saavedra</i>	
Chapter 32	ROMANIA.....	347
	<i>Carmen Peli and Manuela Lupeanu</i>	
Chapter 33	RUSSIA.....	359
	<i>Evgeny Khokhlov</i>	

Chapter 34	SERBIA.....	369
	<i>Rastko Petaković</i>	
Chapter 35	SINGAPORE.....	380
	<i>Ameera Ashraf</i>	
Chapter 36	SOUTH AFRICA	389
	<i>Lee Mendelsohn and Amy van Buuren</i>	
Chapter 37	SPAIN	401
	<i>Juan Jiménez-Laiglesia, Alfonso Ois, Jorge Masía, Samuel Rivero, Joaquín Hervada and Rafael Maldonado</i>	
Chapter 38	SWEDEN	412
	<i>Fredrik Lindblom and Amir Mohseni</i>	
Chapter 39	SWITZERLAND	419
	<i>Pascal G Favre and Silvio Venturi</i>	
Chapter 40	TAIWAN.....	428
	<i>Victor I Chang, Margaret Huang and Jamie C Yang</i>	
Chapter 41	TURKEY.....	439
	<i>Gönenç Gürkaynak and K Korhan Yıldırım</i>	
Chapter 42	UKRAINE.....	450
	<i>Dmitry Taranyk and Predrag Krupez</i>	
Chapter 43	UNITED KINGDOM	457
	<i>Michael Rowe and Paul Walter</i>	
Chapter 44	UNITED STATES	469
	<i>Ilene Knable Gotts</i>	
Chapter 45	VENEZUELA.....	478
	<i>Pedro Ignacio Sosa, Ana Karina Gomes, Nizar El Fakih and Vanessa D'Amelio</i>	

Chapter 46	INTERNATIONAL MERGER REMEDIES.....	489
	<i>John Ratliff and Frédéric Louis</i>	
Appendix 1	ABOUT THE AUTHORS.....	505
Appendix 2	CONTRIBUTING LAW FIRMS' CONTACT DETAILS...	539

EDITOR'S PREFACE

Pre-merger competition review has advanced significantly since its creation in 1976 in the United States. As this book evidences, today almost all competition authorities have a notification process in place – with most requiring pre-merger notification for transactions that meet certain prescribed minimum thresholds. This book provides an overview of the process in 45 jurisdictions as well as a discussion of recent decisions, strategic considerations and likely upcoming developments. The intended readership of this book comprises both in-house and outside counsel who may be involved in the competition review of cross-border transactions.

As shown in further detail in the chapters, some common threads in institutional design underlie most of the merger review mandates, although there are some outliers as well as nuances that necessitate careful consideration when advising clients on a particular transaction. Almost all jurisdictions either already vest exclusive authority to transactions in one agency or are moving in that direction (e.g., Brazil, France and the UK). The US and China may end up being the exceptions in this regard. Most jurisdictions provide for objective monetary size thresholds (e.g., the turnover of the parties, the size of the transaction) to determine whether a filing is required. Germany provides for a *de minimis* exception for transactions occurring in markets with sales of less than €15 million. There are a few jurisdictions, however, that still use 'market share' indicia (e.g., Bosnia and Herzegovina, Colombia, Lithuania, Portugal, Spain, Ukraine and the UK). Most jurisdictions require that both parties have some turnover or nexus to their jurisdiction. However, there are some jurisdictions that take a more expansive view. For instance, Turkey recently issued a decision finding that a joint venture ('JV') that produced no effect in Turkish markets was reportable because the JV's products 'could be' imported into Turkey. Germany also takes an expansive view, by adopting as one of its thresholds a transaction of 'competitively significant influence'. Although a few merger notification jurisdictions remain 'voluntary' (e.g., Australia, Singapore, the UK and Venezuela), the vast majority impose mandatory notification requirements.

Almost all jurisdictions require that the notification process be concluded prior to completion (e.g., pre-merger, suspensory regimes), rather than permitting the transaction

to close as long as notification is made prior to closing. Many jurisdictions can impose a significant fine for failure to notify before closing even where the transaction raises no competition concerns (e.g., Austria, the Netherlands, Romania, Spain and Turkey). Some jurisdictions impose strict time frames within which the parties must file their notification. For instance, Cyprus requires filing within one week of signing of the relevant documents and agreements; and Hungary, Ireland and Romania have a 30-calendar-day time limit from entering into the agreement for filing the notification. Some jurisdictions that mandate filings within specified periods after execution of the agreement also have the authority to impose fines for 'late' notifications (e.g., Bosnia and Herzegovina, Serbia) for mandatory pre-merger review by federal antitrust authorities. Most jurisdictions have the ability to impose significant fines for failure to notify or for closing before the end of the waiting period, or both (e.g., United States, Ukraine, Greece, and Portugal).

Most jurisdictions more closely resemble the European Union model than the US model. In these jurisdictions, pre-filing consultations are more common (and even encouraged), parties can offer undertakings during the initial stage to resolve competitive concerns, and there is a set period during the second phase for providing additional information and for the agency to reach a decision. In Japan, however, the Japanese Federal Trade Commission ('the JFTC') announced in June 2011 that it would abolish the prior consultation procedure option. When combined with the inability to 'stop the clock' on the review periods, counsel may find it more challenging in transactions involving multiple filings to avoid the potential for the entry of conflicting remedies or even a prohibition decision at the end of a JFTC review. Some jurisdictions, such as Croatia, are still aligning their threshold criteria and process with the EU model. There remain some jurisdictions even within the EU that differ procedurally from the EU model. For instance, in Austria the obligation to file can be triggered if only one of the involved undertakings has sales in Austria as long as both parties satisfy a minimum global turnover and have a sizeable combined turnover in Austria.

The role of third parties also varies across jurisdictions. In some jurisdictions (e.g., Japan) there is no explicit right of intervention by third parties, but the authorities can choose to allow it on a case-by-case basis. In contrast, in South Africa, registered trade unions or representatives of employees are even to be provided with a redacted copy of the merger notification and have the right to participate in Tribunal merger hearings, and the Tribunal will typically permit other third parties to participate. Bulgaria has announced a process by which transaction parties even consent to disclosure of their confidential information to third parties. In some jurisdictions (e.g., Australia, the EU and Germany), third parties may file an objection against a clearance.

In almost all jurisdictions, once the authority approves the transaction, it cannot later challenge the transaction's legality. The US is one significant outlier with no bar for subsequent challenge, even decades following the closing, if the transaction is later believed to have substantially lessened competition. Canada, in contrast, provides a more limited time period for challenging a notified transaction.

As discussed below, it is becoming the norm in large cross-border transactions raising competition concerns for the US, EU and Canadian authorities to work closely with one another during the investigative stages, and even in determining remedies, minimising the potential of arriving at diverging outcomes. Regional cooperation among some of the newer agencies has also become more common; for example, the Argentinian

authority has worked with Brazil's CADE, which in turn has worked with Chile and with Portugal. Competition authorities in Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Serbia and Slovenia similarly maintain close ties and cooperate on transactions. Taiwan is part of the Asia-Pacific Economic Cooperation Forum, which shares a database. In transactions not requiring filings in multiple EU jurisdictions, Member States often keep each other informed during the course of an investigation. In addition, transactions not meeting the EU threshold can nevertheless be referred to the Commission in appropriate circumstances. In 2009, the US signed a memorandum of understanding with the Russian Competition Authority to facilitate cooperation; China has 'consulted' with the US and EU on some mergers and entered into a cooperation agreement with the US authorities in 2011, and the US has also announced plans to enter into a cooperation agreement with India.

Some jurisdictions (e.g., the EU and Ireland currently) have as their threshold test for pre-merger notification whether there is an acquisition of control. Such jurisdictions will often consider relevant joint control (e.g., the EU) or negative (e.g., veto) control rights to the extent that they may give rise to *de jure* or *de facto* control (e.g., Turkey). Minority holdings and concern over 'creeping acquisitions', in which an industry may consolidate before the agencies become fully aware, seem to be gaining increased attention in many jurisdictions, such as Australia. Some jurisdictions will consider as reviewable acquisitions in which only 10 per cent interest or less is being acquired (e.g., Serbia for certain financial and insurance mergers), although most jurisdictions have somewhat higher thresholds (e.g., Korea sets the threshold at 15 per cent of a public company and otherwise 20 per cent of a target; and Japan and Russia, at any amount exceeding 20 per cent of the target). This past year, several agencies analysed partial ownership acquisitions on a stand-alone basis as well as in connection with joint ventures (e.g., Canada, China, Cyprus, Finland and Switzerland). Vertical mergers were also the subject of review (and even resulted in some enforcement actions) in a number of jurisdictions (e.g., Canada, China, Sweden and Taiwan). Portugal even viewed as an 'acquisition' subject to notification the non-binding transfer of a customer base.

Given the ability of most competition agencies with pre-merger notification laws to delay, and even block, a transaction, it is imperative to take each jurisdiction – small or large, new or mature – seriously. China, for instance, in 2009 blocked the Coca-Cola Company's proposed acquisition of China Huiyuan Juice Group Limited and imposed conditions on four mergers involving non-Chinese domiciled firms. In *Phonak/ReSound* (a merger between a Swiss undertaking and a Danish undertaking, each with a German subsidiary), the German Federal Cartel Office blocked the merger worldwide even though less than 10 per cent of each of the undertakings was attributable to Germany. Thus, it is critical from the outset for counsel to develop a comprehensive plan to determine how to navigate the jurisdictions requiring notification, even if the companies operate primarily outside some of the jurisdictions.

For transactions that raise competition issues, the need to plan and to coordinate among counsel has become particularly acute. As discussed in the last chapter, it is no longer prudent to focus merely on the larger mature authorities, with the expectation that other jurisdictions will follow their lead or defer to their review. In the current environment, obtaining the approval of jurisdictions such as Brazil and China can be as important as the approval of the EU or US. Moreover, the need to coordinate is

particularly acute to the extent that multiple agencies decide to impose conditions on the transaction. Although most jurisdictions indicate that 'structural' remedies are preferable to 'behavioural' conditions, a number of jurisdictions in the past year imposed a variety of such behavioural remedies (e.g., China, EU, Netherlands, Norway, South Africa, Ukraine and the US). This book should provide a useful starting point in navigating cross-border transactions in the current enforcement environment.

Ilene Knable Gotts

Wachtell, Lipton, Rosen & Katz

New York

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Chapter 11

ECUADOR

Diego Pérez-Ordóñez and José Urizar¹

I INTRODUCTION

Pursuant to the neo-liberal economic policy adopted in Ecuador, several attempts to enact a law on competition have been made (beginning in the 1990s), all of which have failed due to pressure from important economic interests and a lack of congressional support. Finally, the Organic Law on Market Regulation and Control ('the Law') was enacted in 2011, notwithstanding the existence of a competition policy and regime based on an Andean Community decision that had been in place since March 2009.

Compared with neighbouring countries, Ecuador is considerably lagging in developing and applying a competition regime. Ecuador is almost two decades behind Colombia and Peru with respect to the development and application of a competition policy.²

Notwithstanding the delay in developing a competition policy and regime in Ecuador, their legal bases can be found in the now-repealed 1998 Constitution. Article 244 of the 1998 Constitution contemplated the state's right and obligation to promote the development of competitive markets, to boost competition, and to penalise monopolistic and other practices preventing or distorting competition. It is therefore clear that, by 1998 at the latest, there was a legal framework in place compatible with a competition regime in Ecuador.

1 Diego Pérez-Ordóñez is a partner and José Urizar is an associate at Pérez Bustamante & Ponce.

2 Colombia enacted its first competition law in 1959, although it was not very efficient and seldom used to preserve competition (it was used rather as a means for price control); this changed in the early 1990s pursuant to the adoption of an economic liberalisation policy and the new Constitution enacted in that country. A similar situation occurred in Peru, when competition policy and legislation were adopted in 1991 simultaneously with a structural change in economic policies.

Ecuador enacted a new Constitution in 2008. The new Constitution, like the previous one, contains provisions that guarantee competition. Article 304 mandates that the objective of the state's commercial policy will be the prevention of monopolistic and oligopolistic practices. Article 334 provides that the state must promote equitable access to elements for production, preventing concentrations or the hoarding of elements and resources for production. Article 335 sets forth an obligation for the state to establish mechanisms to prevent any monopolistic practices, abuse of market dominance and unfair competition. Finally, Article 336 provides that the state must promote the reduction of market distortions, ensuring market transparency and efficiency by encouraging competition in equal circumstances. Therefore, it is clear that, pursuant to the 2008 Constitution, Ecuador was both able and obliged to enact competition legislation punishing the abuse of market dominance, anti-competitive agreements and unfair competition, and to set forth a control of concentrations.

On the other hand, the Andean Community, of which Ecuador has been a member since its creation, has had a competition policy in place since the start according to Decision 45, which was replaced in 1987 by Decision 230, by Decision 285 in 1991 and finally by Decision 608 in 2005. These decisions are meant to be applied in relation to commerce among Andean Community member countries, and not internally by the member countries. However, pursuant to Andean Community Decision 616, Ecuador was able to apply Andean Community Decision 608 in internal matters due to a lack of internal legislation in that respect, and was obliged to designate a national authority in charge of applying Decision 608 in domestic matters until internal competition legislation was enacted and an authority in charge of its application was created.

Pursuant to Andean Community Decision 616, in March 2009 Executive Decree No. 1614 made the application of Andean Community decisions to domestic matters in Ecuador possible. Executive Decree No. 1614 set forth certain procedural rules and created and designated the Office of the Under Secretary of Competition as part of the Ministry of Industries and Productivity for the purposes of applying the rules comprised in Andean Community Decision 608. Andean Community Decision 608 includes rules relating to abuse of market dominance and anti-competitive agreements, but lacks rules relating to unfair competition and control of concentrations. Thus, until the Law was enacted, there was no legislation in place that provided for a control of concentrations.

Pursuant to the Law, the Superintendency of Market Power Control was created, which is in charge of investigating and punishing anti-competitive conduct, as well as performing *ex ante* control of concentrations. The Law has a strong basis in European competition laws, and thus very similar principles should be applied when analysing anti-competitive conduct as well as the anti-competitive or pro-competitive effects of concentrations.

In addition to the recently adopted concentration control regime administered by the Superintendency of Market Power Control, it must be noted that a commercial regime that regulates mergers exists and is applied by the Superintendency of Companies. There are, however, many forms of concentration other than mergers that are not controlled by the Superintendency of Companies, but that will be subject to approval by the Superintendency of Market Power Control in cases where the thresholds set in the Law are exceeded.

II ECUADORIAN LEGISLATION

The Law was enacted on 13 October 2011. On 23 April 2012, the President signed Executive Decree No. 1152, published in the Official Register of 7 May 2012, comprising Regulations ('the Regulations') to the Law. This is the first time, from the domestic standpoint, that legislation on competition has ever existed in Ecuador, and it is also the first time that prior control of mergers and acquisitions has been implemented in Ecuador.

i Prior control

The Law includes several provisions relating to prior control of mergers and acquisitions. Their major characteristics are:

- a* economic concentration is defined as a change or takeover of one or several enterprises or economic operators;
- b* the prior authorisation from the Superintendency of Market Power Control must be requested when the thresholds set in the Law are exceeded. The Superintendency is the authority over this matter;
- c* actions on economic concentration are broad and provide examples of mergers; transfers of all the assets of a business person; direct or indirect acquisition of shares or share participations or debt certificates giving rise to the right to control; links through common administration, openly and as an example; and any act or agreement transferring the assets of an economic operator, or granting control or determinant influence on an economic operator's adoption of regular or extraordinary administration decisions; and
- d* the Regulations state that 'control' is to be understood as control over any contract, act or otherwise that, bearing in mind *de facto* and *de jure* circumstances, confer the possibility of exercising substantial or determinant influence over an enterprise or an economic operator. Control may be joint or exclusive.

ii Conditions

Bearing the foregoing in mind, two conditions must exist to request authorisation:

- a* The total turnover in Ecuador of all participants in the transaction (target and purchaser) should exceed – during the fiscal year prior to the operation – the amount of unified basic remunerations in force established by the Regulation Board. The Board, which according to the Law depends on the Superintendency of Market Power Control, has not yet determined the amount. Unified basic remunerations are a measure of value linked to the regime of salaries in Ecuador and are expressed in US dollars (the legal tender in Ecuador).
- b* Concentrations must involve economic operators undertaking the same economic activity and, as a consequence of the concentration, a quota equal to or greater than 30 per cent of the relevant market of the goods or services in Ecuador or in a specific geographic market must be acquired or increased.

iii Timing, terms and requirements – notice as of completion of the agreement

Concentration operations that require prior authorisation must be notified for prior examination within eight days of the completion date of the agreement (draft act or contract). The Regulations to the Law provide that ‘completion of agreement’ is defined as follows:

- a* in the case of mergers – from the moment when at least one of the participants at the shareholders’ meeting has agreed to the merger;
- b* in the case of a transfer of a business person’s assets – from the moment the entities agree to the operation and determine the form, term and conditions thereof; in the case of companies, as of the moment the transfer is approved by the shareholders’ meeting;
- c* in the case of the purchase of ownership of or rights over shares or share participations or debt instruments – from the time the participants consent to the operation giving rise to the concentration and they determine the form, term and conditions for its performance;
- d* in the event of a link through common administration – from the time the administrators have been designated by the shareholders’ meeting; and
- e* any other agreement that factually or legally transfers the assets of an entity or that grants the entity a determinant influence or control on decision making – from the time the parties consent to the operation giving rise to the concentration and determine the form, term and conditions for its performance.

Officially, or upon petition of the economic entities involved in a concentration operation, the Superintendency of Market Power Control may request notification even if the aforementioned conditions have not been met. The entities will be allowed 30 days to justify their failure to notify if the Superintendency considers the concentrations exceeded the thresholds set in the Law. Following this, a 60-day investigation will commence (extendable for 60 additional days). Additionally, even if the aforementioned conditions have not been met, undertakings can choose to voluntarily notify their concentrations to the Superintendency of Market Power Control; these concentrations will not require approval by the Superintendency of Market Power Control.

iv Requirements for notification

Notice must be given by the operator who makes the acquisition or acquires control, except when several operators acquire joint control. In that case, notice must be given jointly through a common attorney in fact.

The Regulations to the Law provide for 11 information points and five specific documentary requirements for each such notice. Notifications were previously not made in any form, although they had to contain these information points and documentary requirements. However, on 9 May 2013, the Superintendency of Market Power Control published a form that must be filled to file a concentration notification; this form also contains these information points and documentary requirements.

v Terms and charges

The Superintendency of Market Power Control is allowed 60 days to approve, deny or impose conditions on the transaction. That period is extendable for a further 60 days (it is not clear in the Law if the 60 additional days are business days or calendar days). The Regulations grant the Superintendency the right to determine charges as established in the Law and in the Organic Code on Planning and Public Finances, providing that an analysis of concentrations is the event that gives rise to the charge. On 9 May 2013, the Superintendency of Market Power Control published Regulations containing the parameters that will be used to determine the fee that will be charged for the processing of each concentration notification. The Regulations establish that the processing fee will be the greatest of:

- a* 0.25 per cent of the income tax (paid in the previous fiscal year);
- b* 0.005 per cent of turnover (achieved in the previous fiscal year);
- c* 0.01 per cent of the assets; or
- d* 0.05 per cent of the net assets.

However, the Regulations do not specify which of the involved undertakings' figures these parameters will apply to. We assume that these calculations will be made on the basis of the target undertaking's figures; however, given the lack of clarity, these calculations could instead be made on the basis of the acquiring undertaking's figures, or even the aggregate figures of the target and acquiring undertakings.

vi Concentrations that have taken place since 13 October 2011 prior to the creation of the Superintendency of Market Power Control

A vacuum existed in the Law: while it created the obligation to notify concentrations from the time it was enacted, it failed to determine the entity in charge of taking cognisance of such notices until the Regulations were issued and the Superintendency of Market Power Control was created. The Superintendency of Market Power Control only began to accept concentration notifications several months after the enactment of the Law.

To fill that vacuum, under the first transitory provision of the Regulations all operations performed between the enactment of the Law and the creation of the Superintendency ought to be notified *ex post* to the Superintendency, following the regular procedure for investigation pursuant to Articles 26 and 27 of the Regulations when notices were not given. Although it was clearly impossible to notify operations at a time when no competent entity was empowered to receive notices, failure to notify *ex post* could, in theory, lead to the imposition of fines. However, the imposition of a regulatory obligation to obtain *ex post* authorisation from an authority that did not exist at the time of an operation being performed is doubtful and questionable.

III THE MERGER CONTROL REGIME

Mergers of commercial companies are ruled by the Law on Companies. According to corporate legislation, a merger of companies may take place in two ways:

- a* when two or more companies join to form a new company that succeeds them regarding their rights and obligations (merger by union); or

b when one or more companies are taken over by another that continues its existence (merger by takeover).

i Procedures for a merger

For a merger of any company into a new company to take place, it is first necessary to agree about its dissolution and then to transfer all the corporate assets in bulk to the new company. If the merger results from a takeover of one or more companies by another existing company, the existing company must likewise acquire the assets of the company or companies taken over by means of capital increase.

In the event of a merger by takeover, the company taking over must approve the basis for the operation and the amended incorporation charter during a special shareholders' meeting specifically called for that purpose. The companies that will be taken over or that merge in order to create a third company must likewise approve the merger in the same manner (that is, by calling a shareholders' meeting).

Without prejudice to the control of mergers specified herein, the Superintendency of Companies must approve the public deed comprising the merger of commercial companies and, for the merger to take effect, an excerpt of the deed must be published and the deed must subsequently be registered with the Mercantile Registry.

ii Effects of a merger

The effects of a merger of two or more companies, as the case may be, are the following:

- a* in the case of a merger by union, when two or more companies join to create a new company, the major effect is the appearance of a new juridical person that is the successor of the rights and obligations of the merged companies; and
- b* in the case of a merger by takeover, the company that takes over will be in charge of paying the liabilities of the company taken over, and must assume the responsibilities inherent to a liquidator with respect to the creditors of the company that was taken over.

From a taxation standpoint, the Tax Code provides that those who acquire businesses or enterprises and who are responsible in the capacity of acquirers or successors of assets will be liable for all taxes owed by the transferor and for the taxes generated from the business or enterprise being transferred during the year the transfer takes place and for the two preceding years. Liability is limited to the value of the assets. On the other hand, the Code also provides that companies substituting other companies will be liable as acquirers or successors of properties and must be in charge of the assets and liabilities, in whole or in part, by reason of merger, transformation, takeover or otherwise. Liability includes the taxes owed up to the date of the corporate action concerned.

Transfers of assets and liabilities in mergers are not subject to income tax, and the greater or lesser value reflected in the value of the shares of merged companies is not taxable or deductible. Transfers of assets (tangible or intangible) may take place at present value or at market value.

iii Acquisition by assignment of business

Another form of acquisition that differs from the already-mentioned merger varieties is the sale of all the merchandise or assets of a business person, which is governed by the Commercial Code. In practice, this system has been legally used to purchase and sell all assets and liabilities of a business person, that is, of an individual capable of entering into contracts and who usually performs commercial activities of a commercial corporation (i.e., a company controlled by the Superintendency of Companies) or of the branch of a foreign company.

It should be taken into account that this system does not result in the union of two or more juridical persons or the takeover of one or more of them by a third party such as in the case of mergers ruled by the Law on Companies, but rather it is a commercial purchase and sale contract provided that it involves all the merchandise or assets of a business person. According to Ecuadorian professional practice, this system has been used mainly to sell the assets and liabilities of the branch of a foreign company to a third party (e.g., a stock corporation or a limited liability company). In this case, the use of such contracts is due to the impossibility of using the classical merger form, because branches of foreign companies do not have a capital stock divided into shares or share participations. Besides, it is considered that branches of foreign companies are under the same legal capacity as their parent companies.

The only formality to perfect these contracts is that, under penalty of nullity, they must be executed through a public deed. It is not necessary to register them with the Mercantile Registry.

From a taxation standpoint, the sale of a business transferring assets and liabilities is not subject to value added tax.

iv Acquisition by assignment of shares or share participations

Another way to acquire an Ecuadorian commercial company is through a transfer of shares or share participations. The capital of corporations, which are capital stock companies, is divided into shares. On the other hand, the capital of limited liability companies or partnerships is divided into share participations.

Non-financial stock corporations are subject to the Law on Companies and are controlled by the Superintendency of Companies. Their capital is divided into common, registered and indivisible shares. They may issue preferred shares for up to 50 per cent of the subscribed capital. Preferred shares may grant special rights upon liquidation of the company or for profit sharing, but they cannot grant fixed dividends or interest.

Shares – whether common or preferred – are freely transferable. This is a general principle established by Ecuador's corporate legislation by reason of the very nature of a stock corporation. Ownership of shares in a stock corporation is transferred by means of an assignment letter signed by the transferor or by a person or securities trading company that represents the transferor. The assignment must be written on the corresponding share certificate or on a sheet attached thereto. In the case of share certificates delivered for custody at a centralised securities clearing and liquidation deposit, the assignment may take place pursuant to mechanisms established for such centralised deposits. An assignment of shares or a transfer of ownership takes effect versus the company and third parties only as of the date it is registered in the book of shares and shareholders of the

company. Registration is made with the signature of the company's legal representative upon delivery of a joint (or individual) communication from the assignor and the assignee.

If the shares are immobilised in a centralised securities clearing and liquidation deposit, they will be registered in the book of shares and shareholders by the centralised deposit upon submission of an assignment form signed by the securities trading company acting as an agent. The centralised deposit must keep files and records of transfers and must give notice thereof to the company on a quarterly basis.

Stock corporations may have an authorised capital that cannot be greater than twice the amount of the subscribed capital. It must be noted that stock corporations that do not belong to the financial sector must be incorporated with at least two shareholders but may validly continue with just one shareholder after being duly registered with the Mercantile Registry. The company's legal existence begins upon such registration.

If the shares of a stock corporation are not listed in a stock exchange, their transfer requires no formality other than that described above (that is, by means of an assignment document and registration of the assignment in the book of shares and shareholders). On the other hand, if the shares are listed in a stock exchange, several Stock Market Law rules must be observed.

v Limited liability companies

Given their different juridical nature – that is, they are partnerships involving persons and not capital – limited liability companies are governed by different rules with respect to an assignment of share participations. The capital of those companies is divided into share participations that are not moveable properties or assets and cannot be freely assigned or transferred, unlike the shares of stock corporations. Share participations are quotas (contributions) in the company's capital. Since share participations are not documents of title, they lack the characteristics inherent to shares (e.g., their free circulation and valuation in the market).

Since limited liability companies comprise persons (and not capital), the circulation of share participations would result in the company not considering its members (i.e., it would no longer be an *intuito personae* company). According to the definition of the Law on Companies (Article 102), share participations are the partners' contributions to the limited liability company.

vi Transfer of share participations

Share participations held by a partner in a limited liability company are transferable by an act *inter vivos* for the benefit of another partner or partners of the company or of third parties if the unanimous consent of the capital is obtained according to Article 113 of the Law on Companies. This is the first legal limitation: the necessary unanimity for a transfer.

An assignment of share participations must be carried out by means of a public deed. The notary will include in his or her protocol, or in the public deed, a certificate from the company's legal representative evidencing that the requirement mentioned in the preceding paragraph has been met. The assignment will be recorded in the books

of the company. This is the second legal limitation: the formality of executing the assignment by means of a public deed.

Thus, mergers and acquisitions are governed in Ecuador by the Law on Companies and the Commercial Code with respect to their formalisation, but they are limited and controlled by the Law with respect to their prior authorisation.

All of the above-described forms of concentration are subject to notification and authorisation by the Superintendency of Market Power Control if they surpass the thresholds set in the Law.

IV OUTLOOK AND CONCLUSIONS

The Law is now fully applicable, and the Superintendency of Market Power Control is wholly functional. However, because the process is still new to most of the Superintendency's officers, internal procedures are being drafted and are in the process of being implemented. As such, delays can be expected. Ecuador has no traditions or customary practices regarding antimonopoly legislation, and any policies implemented by the authorities in the future will be essential for the prosperity of local entrepreneurs and for attracting foreign investment. Control of mergers and acquisitions in the local market will be especially important, because mergers carried out in the past were subject to minimal regulatory supervision, while acquisitions were not subject to state intervention at all.

Appendix 1

ABOUT THE AUTHORS

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Diego Pérez-Ordóñez was admitted to practise in 1996 and is a doctor of law from the Catholic University of Quito. He completed an undergraduate microeconomics course at the London School of Economics in 1990. Mr Pérez-Ordóñez is a partner with Pérez Bustamante & Ponce (and a member of its antitrust unit). On the academic front, he is a professor of Constitutional Law (1999–present) at the Universidad San Francisco de Quito.

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José Urizar was admitted to practise in 2009 and is an associate at Pérez Bustamante & Ponce (and also a member of the antitrust unit). He obtained his JD at the Universidad San Francisco de Quito, Ecuador, and obtained a master's degree in international and European law in 2011 from Maastricht University. Mr Urizar was a legal analyst for the Undersecretariat for Competition (Ecuador, 2009–2010). Before obtaining his JD, Mr Urizar obtained a BA in economics in 2004 from the University of Chicago.

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