

The Assessment and Prospective of the Fair Trade Law for the Science Industry--focused on the Financial Business

Abstract

Key Words : bank; merger; market structure; merger guideline

Taiwan antitrust law decides to refute or to accept the application of financial M&As, based on the benefits and harms of the activities. However, there are no clear operational definitions for the benefits and harms. The purpose of this project provides the operational definitions of benefits and harms. Also, we use the definitions to USA, European countries, Japan and Australia.

We find that the banking industry in Taiwan is an unconcentrated market. The simulation results also indicate that if the two largest banks merge, the market remains unconcentrated. We review the attitudes of authority and related regulations to financial industry mergers in each country in different periods. Moreover, we suggest a two-staged checklist to review applications of bank mergers. This checklist, therefore, saves the reviewing costs. In this checklist, we suggest that assess whether the competition concerns will raise after bank mergers at first stage. If the post-merger of banks will not generate any competition concerns, the authority should not reject the merger. Further, if post-merger generates competition concerns, the authority get into the second stage to assess the effect of mergers on both overall economic and public benefits. When the reviewing result at second stage denotes that the overall economic benefits exceed the adverse competition effects, the authority should not reject the merger.