

First Commercial Bank Co., Ltd. and 7 other banks

1477th Commissioners' Meeting (2020)

Case: First Bank and 7 other banks applied for permission to extend the concerted action of their "State-owned Bank Credit Card Alliance"

Keyword(s): Credit card, alliance, collaborating store

Reference: Fair Trade Commission Decision of February 26, 2020 (the 1477th Commissioners' Meeting); Letter Kung Lian Tzu No.109001

Industry: Banking (6412)

Relevant Law(s): Articles 14, 15 and 16 of the Fair Trade Law

Summary:

1. In order to get more collaborating stores, First Commercial Bank Co., Ltd. (hereinafter referred to as "First Bank") and seven other banks formed the "State-owned Bank Credit Card Alliance" and each bank used the trademark, symbols, pictures and domain name of the alliance. The condition met the concerted action patterns described in Subparagraphs 1 and 2 of the proviso set forth in Article 15(1) of the Fair Trade Law. The first time the FTC approved the concerted action via Letter Kung Lian Tzu No.101002 dated March 22, 2012 and then the first extension application via Letter Kung Lian Tzu No.104002 dated February 25, 2015 for the concerted action to extend to March 1, 2020. The participating banks thought it was necessary to continue the concerted action and, therefore, applied again for the permission from the FTC to extend the concerted action for another five years.

2. Findings of the FTC after investigation:

- (1) Evaluation of the effect on competition restraints: The number of credit cards in circulation from 2012 to November 2019 and the tendency of change of value of transactions indicated that the growth of other credit card issuers continued to surpass that of the State-owned Bank Credit Card Alliance. Meanwhile, as mobile payment and online-only banking entered the market, the alliance would face tougher competition and pressure. Moreover, compared to the market environment when the first two applications were filed, there was no significant improvement in the competitiveness of the alliance today. Approving the extension application would not increase the risk of increasing competition restraints.
- (2) Assessment of the overall economic benefit and public interest: The alliance members could enjoy the results of special offers obtained from collaborating stores through negotiations, reduce costs, increase the number of collaborating stores and types of businesses covered, and obtain the benefits of economies of scale. At the same time, card holders could therefore have more stores to use their credit cards to enjoy special offers while the collaborating stores could have more card holders shopping at their outlets. It would be a win-win situation for consumers and the collaborating stores. In other words, the concerted action could benefit the overall economy and public interest.
- (3) After a comprehensive evaluation, the FTC concluded that the effort of the State-owned Bank Credit Card Alliance formed by First Bank and seven other banks

met the requirement of “unifying the specifications or models of goods or services for the purpose of reducing costs, improving quality, or increasing efficiency” specified in Subparagraph 1 of the proviso in Paragraph 1 of Article 15 of the Fair Trade Law. as well as the requirement of “joint research and development on goods, services, or markets for the purpose of upgrading technology, improving quality, reducing costs, or increasing efficiency” set forth in its Subparagraph 2. Since there was no significant concern about competition restraints and the concerted action could benefit the overall economy and public interest, the FTC gave the approval for the concerted action to be extended for five years until March 1, 2025.

Appendix:

First Commercial Bank Co., Ltd.’s Uniform Invoice Number: 05052322

Taiwan Cooperative Bank Co., Ltd.’s Uniform Invoice Number: 70799128

Mega International Commercial Bank Co., Ltd.’s Uniform Invoice Number: 03705903

Hua Nan Commercial Bank Co., Ltd.’s Uniform Invoice Number: 03742301

Chang Hwa’s Commercial Bank Co., Ltd. Uniform Invoice Number: 51811609

Land Bank of Taiwan Co., Ltd.’s Uniform Invoice Number: 03700301

Taiwan Business Bank Co., Ltd.’s Uniform Invoice Number: 03793407

Bank of Taiwan’s Co., Ltd. Uniform Invoice Number: 03557311

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