



MEDIA RELEASE

2 August 2017

COMPETITION APPEAL BOARD UPHOLDS FINANCIAL PENALTY IMPOSED BY CCS AND DISMISSES APPEAL BY FINANCIAL ADVISER

1. The Competition Appeal Board (“**CAB**”) has dismissed the appeal of IPP Financial Advisers Pte. Ltd. (“**IPP**”) and ordered IPP to pay the financial penalty of \$239,851¹ imposed by the Competition Commission of Singapore (“**CCS**”) together with interest and costs of the appeal.

Background

2. In its Infringement Decision dated 17 March 2016, CCS found that IPP, together with nine (9) other financial advisers (collectively the “Parties”), had infringed section 34 of the Competition Act (Cap.50B) (“**the Act**”) by engaging in an anti-competitive agreement to pressurise their competitor, iFAST Financial Pte. Ltd. (“**iFAST**”) to withdraw its offer of a 50% commission rebate on competing life insurance products on the Fundsupermart.com website (“**Fundsupermart Offer**”) (the “**Conduct**”).

3. The launch of iFAST’s Fundsupermart Offer disrupted the financial advisory industry in the distribution of life insurance products in Singapore – the leveraging of iFAST’s established online platform to reach out to its wide client base was not only innovative but also efficient, allowing iFAST to save on distribution costs. These cost savings could then be passed on to consumers through a significant commission rebate. However, a few days later, iFAST withdrew the Fundsupermart Offer due to collective pressure from the Parties.

¹ On 17 March 2016, CCS issued an Infringement Decision and imposed financial penalties amounting to \$909,302 against ten (10) financial advisers for having infringed section 34 of the Act. With the exception of IPP, the other nine (9) financial advisers paid the financial penalty imposed on them within two (2) months of the date of their receipt of the Infringement Decision.

Outcome of IPP's Appeal²

4. IPP appealed to the CAB on various grounds seeking a substantial reduction in the financial penalty imposed by CCS. After hearing the evidence of IPP's witnesses and the arguments of IPP and CCS, the CAB affirmed CCS's Infringement Decision and dismissed all of IPP's grounds of appeal. IPP was further ordered to pay CCS's legal costs.

5. In its Decision dated 29 June 2017, the CAB agreed with CCS that the conduct infringed section 34 of the Act. In particular, the CAB found that the object of the *"infringing conduct was clearly to prevent the entry of a new competitor into the market for individual life insurance products in Singapore, and to prevent the competitor from providing a cheaper alternative product that would affect its own business. This is injurious to competition by its very nature as it would result in the prevention, restriction or distortion of competition in the relevant market."*

6 The CAB noted that the result of the infringing conduct is that *"the market never returned to the state of competition that would have existed had the Fundsupermart Offer not been withdrawn."*

7. The CAB dismissed IPP's arguments that it should only be penalised based on the turnover derived from its Conduct, i.e., new policies entered into in FY 2014 and that the starting percentage imposed by CCS was too high. The CAB agreed with CCS that relevant turnover is the entire turnover derived from the relevant product and geographic markets affected by the infringement, i.e., turnover from all the policies in force in FY 2014, and held that the starting percentage imposed by CCS is neither excessive nor unjustified in light of the nature of IPP's conduct.³

8. The CAB also dismissed IPP's argument that the financial penalty should be reduced to reflect a minimal infringement period of one (1) month as the agreement

² CAB decision on Appeal No. 1/2016 (the "Decision") can be found at: [https://www.mti.gov.sg/legislation/Pages/Summary-of-appeals-received-by-the-Competition-Appeal-Board-\(CAB\).aspx](https://www.mti.gov.sg/legislation/Pages/Summary-of-appeals-received-by-the-Competition-Appeal-Board-(CAB).aspx).

³ The calculation of financial penalties imposed is based on the penalty framework set out in the *CCS Guidelines on the Appropriate Amount of Penalty* ("Penalty Guidelines"), the methodology of which had been endorsed by the CAB in its previous decisions. The relevant turnover is the entire turnover of the infringing party derived from the relevant market. The starting percentage takes into consideration the nature of the infringement, the nature of the product, the structure of the market, the market shares of the parties, as well as the effect of the infringement on customers, competitors and third parties.

took place over a short span of two (2) days.⁴ The CAB had regard to the objective of the conduct and agreed with CCS that the short duration of the infringement should not be credited to IPP, otherwise CAB would be rewarding IPP for the fast and effective implementation of the agreement. Lastly, CAB also held that IPP failed to demonstrate that it operates in a high turnover, low margin industry and that there was no uncertainty that IPP's conduct was in breach of the section 34 prohibition.

Post-CAB's Decision

9. On 18 July 2017, IPP paid the outstanding financial penalty of \$239,851 together with interest as ordered by the CAB.

10. CCS's Chief Executive, Mr. Toh Han Li, said,

“The disruptive entry of a new competitor with an innovative offering would inevitably cause displeasure and outcry among the existing market players. However, market players need to decide their own individual competitive response. In this case, colluding to collectively pressure a competitor into withdrawing its innovative offering prevents consumers from enjoying significant benefits such as greater choice, greater convenience, more competitive prices, and prevented the market from becoming more competitive. CCS will take the necessary enforcement measures to allow new entrants to fairly compete with the existing market players on a level playing field, such that the market becomes more efficient, innovative and responsive to consumer's needs.”

-End-

⁴ The Penalty Guidelines provides that the amount of financial penalty to be imposed will also depend on the duration of the infringement and an infringement over a part of a year may be treated as a full year for the purpose of calculating the duration of the infringement. In the present case, CCS adopted a duration multiplier of one (1) for all the Parties, including IPP.

About The Competition Commission of Singapore (CCS)

CCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anticompetitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

For more information, please visit www.ccs.gov.sg.

For media clarification, please contact:

Ms. Loy Pwee Inn

Senior Assistant Director

International and Strategic Planning Division

Competition Commission of Singapore

Email: loy_pwee_inn@ccs.gov.sg

DID: 6325 8313

Ms. Grace Suen

Senior Assistant Director

International and Strategic Planning Division

Competition Commission of Singapore

Email: grace_suen@ccs.gov.sg

DID: 6325 8216

Annex A - Case Facts

In an infringement decision issued on 17 March 2016, the Competition Commission of Singapore (“**CCS**”) found that ten financial advisers in Singapore (collectively the “**Parties**”) have infringed section 34 of the Competition Act (Cap.50B) (“**the Act**”).

The Parties are financial advisers providing financial advisory services, including the distribution of life insurance products and unit trusts. They are all members of the Association of Financial Advisers (Singapore) and also use iFAST Financial Pte. Ltd. (“**iFAST**”) to handle unit trust transactions for their clients. For the purposes of calculating the appropriate level of financial penalties in this case, CCS is of the view that the relevant product market is the distribution of the Insurers⁵ relevant individual life insurance products by financial advisers as well as the other distribution channels used by the Insurers for selling their relevant individual life insurance products in Singapore.

CCS found that the Parties have engaged in an anti-competitive agreement to pressurise iFAST to withdraw its offer of a 50% commission rebate on life insurance products on the Fundsupermart.com website (“**Fundsupermart Offer**”).⁶ Instead of deciding independently how to respond to the competitive and innovative challenge posed by the Fundsupermart Offer, the ten financial advisers cooperated to collectively pressure iFAST into withdrawing the Fundsupermart Offer (the “**Conduct**”). CCS found that the financial advisers’ conduct to prevent a competitor from providing a lower-cost offer to consumers restricted and was likely to have an adverse effect on competition in the market.⁷ The financial advisers’ commercial relationship with iFAST in its unit trust business contributed significantly to iFAST’s revenues and placed them in a position to exert pressure on iFAST. Further, CCS noted that the Fundsupermart Offer was particularly attractive to customers because the general industry practice of financial advisers is not to provide commission rebates to policyholders.

⁵ Refers to Manulife (Singapore) Pte. Ltd., NTUC Income Insurance Co-operative Limited and Tokio Marine Life Insurance Singapore Ltd. collectively.

⁶ The actions taken by the Parties are set out in greater detail in CCS’s media release on 17 March 2016 at paragraph 4 and 5.

⁷ The Parties’ conduct was likely to have an appreciable adverse effect on competition because of the content and object of the agreement, the Parties’ aggregate market share, the innovative nature of the Fundsupermart Offer, and the actual withdrawal of the Fundsupermart Offer.