

FTC Announces Annual Adjustments to HSR Act and Clayton Act Section 8 Thresholds

March 4, 2019

The Federal Trade Commission (“FTC”) has announced its annual revisions to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”) premerger notification thresholds, the Clayton Act Section 8 thresholds for interlocking directorates, and the maximum civil penalty for violations of the HSR Act. These figures are revised annually based on changes in the gross national product. The announcement of the revisions was delayed by the 2018-2019 federal government shutdown.

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Updated HSR Act premerger notification thresholds. On February 15, 2019 the FTC announced the revised HSR premerger notification thresholds, which govern whether a proposed merger or acquisition must be reported to the antitrust agencies prior to its consummation. These thresholds will become effective on **April 3, 2019** and apply to transactions closing on or after that date. The 2019 thresholds have increased by approximately 6.6% over 2018.

The base size-of-transaction threshold will increase from US\$84.4 million to **US\$90.0 million**. Acquisitions resulting in total holdings below this threshold will not be reportable. Transactions resulting in the acquirer holding voting securities, controlling interests in non-corporate entities, or assets valued above the US\$90.0 million threshold may be reportable in either of the two following circumstances:

- The transaction will result in total holdings between US\$90.0 million and **US\$359.9 million** (formerly US\$337.6 million) **and** the size-of-persons test is met, which occurs when either the acquiring or acquired person has **at least US\$180.0 million** in gross assets or annual net sales (formerly US\$168.8 million) and the other person has **at least US\$18.0 million** in gross assets or annual net sales (formerly US\$16.9 million);

or

- The transaction will result in total holdings above **US\$359.9 million**, in which case the size-of-persons test does not apply.

The HSR Act creates five notification thresholds, four of which have increased: **US\$90.0 million** (formerly US\$84.4 million), **US\$180.0 million** (formerly US\$168.8 million), **US\$899.8 million** (formerly US\$843.9 million), 25% of voting securities if greater than **US\$1,799.5 million** (formerly US\$1,687.8 million), and 50% of voting securities. An acquiring person that makes incremental acquisitions of voting securities of a particular issuer may be required to file a notification each time its holdings cross one of these thresholds.

To summarize:

Threshold	2018 Threshold (in USD)	2019 Threshold (in USD)
Size-of-Transaction	\$84.4 million	\$90.0 million
Size-of-Persons	\$16.9 million and \$168.8 million	\$18.0 million and \$180.0 million
Value at Which Size-of-Persons Does Not Apply	\$337.6 million	\$359.9 million
Notification	\$84.4 million \$168.8 million \$843.9 million 25% if >US\$1,687.8 million 50%	\$90.0 million \$180.0 million \$899.8 million 25% if >US\$1,799.5 million 50%

Even if a transaction appears reportable based on the thresholds above, it may qualify for an HSR Act exemption. Assessment of HSR reportability is complex and requires a thorough understanding of the statute and implementing regulations. We recommend consulting with a lawyer experienced in HSR matters to determine if your transaction is reportable.

The HSR filing fees remain unchanged, but the breakpoints have shifted as follows:

2019 Size-of-Transaction Threshold (in USD)	Filing Fee (in USD)
More than \$90.0 million to less than \$180.0 million	\$45,000
\$180.0 million to less than \$899.8 million	\$125,000
\$899.8 million or more	\$280,000

These new thresholds and the filing fee schedule will remain in effect until the next annual adjustment, expected in February 2020.

Updated Clayton Act Section 8 thresholds for interlocking directorates. Also on February 15, 2019, the FTC announced revisions to the Clayton Act Section 8 thresholds, which became effective on **March 4, 2019**. Section 8 prohibits, with certain exceptions, a

person from serving as a director or officer of two competing corporations. Section 8 may apply if each competitor corporation has capital, surplus, and undivided profits of more than **US\$36,564,000** (formerly US\$34,395,000). One exemption from this prohibition applies if the “competitive sales” of either corporation are less than **US\$3,656,400** (formerly US\$3,439,500), while other exemptions are based on percentages of a corporation’s total sales. Because the application of the “competitive sales” concept and other aspects of Section 8 can be complex, we recommend consulting with a lawyer experienced in Section 8 matters to determine if the prohibition applies.

Updated maximum civil penalty amount for HSR violations. On February 14, 2019, the FTC announced that the maximum civil penalty for violations of the HSR Act has increased from US\$41,484 to **US\$42,530** per day. This increase applies to civil penalties assessed after **February 14, 2019**, even if the underlying violation preceded the effective date.

How Debevoise can help. Debevoise lawyers are well-versed in the HSR Act and its reporting requirements. We are available to advise parties regarding the reportability of their transactions, as well as to guide clients through the reporting process and any government investigation and/or litigation that may follow the HSR filing. We are also available to assist in evaluating the application of Clayton Act Section 8.

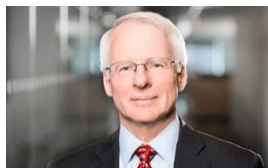
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