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Model Law on Competition (2019), revised chapter IX*

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I. Outline of chapter IX of the Model Law on Competition

The Administering Authority and its organization

1. The establishment of the Administering Authority and its title.

2. Composition of the Authority, including its chairmanship and number of members, and the manner in which they are appointed, including the authority responsible for their appointment.

3. Qualifications of persons appointed.

4. The tenure of office of the chairman and members of the Authority, for a stated period, with or without the possibility of reappointment, and the manner of filling vacancies.

5. Removal of members of the Authority.

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II. Commentaries on chapter IX and alternative approaches in existing legislations

A. Introduction

1. Chapter IX, "The Administering Authority and its organization", deals with the institutional design and composition of the competition policy regime. While the wording of chapter IX could be understood to refer to the establishment of the administering authority only, it covers a broader institutional framework of the competition policy system, including the respective roles of and the interaction between the Government, the court and the competition authority.

2. An appropriate institutional framework is a prerequisite for the effective enforcement of competition laws. While much debate has focused on substantive issues – for instance, appropriate rules for merger review, abuse of dominance and cartels – relatively little attention has been given to institutional and procedural concerns. Where a well-formulated antitrust law is adopted, however, insufficient attention to institutional and operational aspects could result in a poor performing antitrust regime. With recognition of the situation, there is growing emphasis on institutional and operational considerations.

3. In shaping the institutional framework of a competition policy regime, there are several fundamental questions for the institutional planner to address:

(a) Which body is responsible for investigative and enforcement activities? Is it part of a ministry, an agency under the auspices of a government minister or a fully independent agency?

(b) Which body is in charge of making the first decision on antitrust cases? Is it the enforcement agency, a separate adjudicated body or the court?

(c) To what extent is judicial review of competition decision applied?¹

4. The crux of the first question is whether or not the enforcement body should be awarded independence from Government (i.e. a government minister). It may be the case that jurisdictions differ in terms of the degree of importance they attach to awarding

¹ Trebilcock M and Iacobucci EM (2010). Designing competition law institutions: values, structure and mandate. *Loyola University Chicago Law Journal*. 41(3):455–471.

independence to competition authorities. In fact, a number of countries have decided not to establish an independent competition authority, but rather to implement their competition policy through a dedicated ministerial department.

5. However, there is growing consensus that it is desirable to establish independent agencies with responsibility for competition enforcement. The trend in most of the competition authorities created in the recent past (usually in developing countries and countries with economies in transition) is to award them as much administrative independence as possible. This feature is very important, as it protects the authority from political influence.

6. The latter two questions are about the allocation of decision-making responsibilities within the administrative and judicial systems. In this respect, a key issue is whether or not to integrate the investigative and adjudicative functions within an enforcement agency. Given that the institutional design greatly depends on the specific State's context, there is no single model that is optimal for all countries. While a successful constitutional challenge to the lack of separation of the adjudicative function from investigative functions under the Fair Competition Act of Jamaica appears to support separation, the recent plan of the Government of the United Kingdom of Great Britain and Northern Ireland of the merging of the Office of Fair Trade and the Competition Commission points in the opposite direction.

7. In most jurisdictions, it is customary for the legislature to adopt judicial review to police the enforcement and decisions of competition authorities. It is widely held that independent judicial review of the decisions of competition authorities, whether through regular courts or through specialized adjudicative bodies, is desirable for the sake of the fairness and integrity of the decision-making process.²

8. As noted above, there are a number of design choices available for the institutional framework. In most jurisdictions, the structure of the competition regime and the allocation of decision-making responsibilities within the administrative and judicial systems generally fall into one of three structural models:³

(a) The bifurcated judicial model: the authority has investigative powers, and must bring enforcement actions before courts of general jurisdiction, with rights of appeal to general appellate courts (table 1);

(b) The bifurcated agency model: the authority has investigative powers, and must bring enforcement actions before specialized competition adjudicative authorities, with rights of appeal to further specialized appellate bodies or to general appellate courts;

(c) The integrated agency model: the authority is empowered with both investigative and adjudicative functions, with rights of appeal to general or specialized appellate bodies (table 2).

9. Each of these models involves certain trade-offs. For instance, the bifurcated agency model may improve the quality of decision-making by concentrating adjudication in a small group of specialized and expert judges. On the other hand, this model may be unacceptably resource-intensive where courts of general jurisdiction provide a ready alternative and may also raise natural justice or due process concerns if access to general courts is limited. The integrated agency model may be the most administratively efficient enforcement scheme, but it raises significant due process risks which must be safeguarded against.

10. Many member States have adopted variations on, or combinations of, these basic structural models. For instance, a common arrangement is for the authority to enjoy both investigative and adjudicative functions in relation to mergers and concentrations, but only an investigative role in relation to restrictive trade practices and abuses of dominance, with courts or specialized tribunals undertaking the adjudicative function.

² For additional information, see the 2008 note by the UNCTAD secretariat entitled "Independence and accountability of competition authorities", TD/B/COM.2/CLP/67.

³ Trebilcock and Iacobucci, pp. 459–464 (see footnote 1).

Country or group of countries	Description
Australia	The Australian Competition and Consumer Commission is responsible for investigating infringements of the Competition and Consumer Act 2010 (previously the Trade Practices Act 1974) ⁴ and may institute legal proceedings in the Federal Court against businesses that it believes have contravened the Competition and Consumer Act.
	The Australian Competition Tribunal was established under the Trade Practices Act 1965 and continues under the Competition and Consumer Act. The Tribunal is a review body. A review by the Tribunal is a rehearing or a reconsideration of a matter. The Tribunal may perform all the functions and exercise all the powers of the original decision-maker for the purposes of review. It can affirm, set aside or vary the original decision.
	The Federal Court is empowered to hear and determine competition matters in the final stage.
Jamaica	The Fair Trading Commission of Jamaica has the power to carry out investigations in relation to the conduct of business in Jamaica to determine if any enterprise is engaging in practices that are in contravention of the Fair Competition Act.
	Upon application by the Fair Trading Commission, the Supreme Court may (a) order the offending person to pay to the Crown such pecuniary penalty not exceeding \$1 million, in the case of an individual, and not exceeding \$5 million in the case of a person other than an individual, or (b) grant an injunction restraining the offending person from engaging in anti-competitive conduct (see Article 47 of the Fair Competition Act).
South Africa	The South African institutional system for competition law enforcement comprises three bodies: the Competition Commission, the Competition Tribunal and the Competition Appeal Court.
	The functions of the South African Competition Commission, pursuant to section 21 of the South African Competition Act (the Act), include investigating anti-competitive conduct in contravention of chapter 2 of the Act; assessing the impact of mergers and acquisitions on competition and taking appropriate action; monitoring competition levels and market transparency in the economy; identifying impediments to competition; and playing an advocacy role in addressing these impediments.
	According to section 27 of the Act, the South African Competition Tribunal may:
	• Adjudicate on any conduct prohibited in terms of chapter 2, to determine whether prohibited conduct has occurred, and if so, to impose any remedy provided for in this Act;
	• Adjudicate on any other matter that may, in terms of this Act, be considered by it, and make any order provided for in this Act;

Table 1Institutional design of competition regime: Alternative approaches in existinglegislation, bifurcated judicial model

⁴ The Australian Competition and Consumer Commission is an independent statutory authority that enforces the Competition and Consumer Act of 2010 (previously the Trade Practices Act 1974) and other legislation. See https://www.accc.gov.au/about-us/australian-competition-consumercommission.

Country or group of countries	Description
	• Hear appeals from, or review any decision of, the Competition Commission that may, in terms of this Act, be referred to it; and
	• Make any ruling or order necessary or incidental to the performance of its functions in terms of this Act.
	Decisions of the Competition Tribunal may be appealed to the Competition Appeal Court.

Table 2Institutional design of competition regime: Alternative approaches in existinglegislation, integrated agency model

Country or group of countries	Description
European Union	The European Commission is empowered to investigate and adjudicate potentially anti-competitive practices and mergers that may affect trade between European Union member States. See Council Regulation (EC) No. 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 101 (ex Article 81, European Community Treaty) and 102 (ex Article 82, European Community Treaty) of the Treaty, and Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings. Pursuant to Article 7 of Regulation (EC) No. 1/2003, for example, the Commission may impose behavioural or structural remedies proportionate on the infringement committed and necessary to terminate the infringement on infringing undertakings.
	The European Commission and member States' national competition authorities work closely on enforcing European Union antitrust rules in the framework of the European Competition Network.
	This network underpins the coherent application of European Union antitrust rules by all enforcers. Since 2004, the Commission and national competition authorities have adopted over 1,000 decisions, investigating a broad range of cases in all sectors of the economy. From 2004 to 2014, over 85 per cent of all the decisions that applied European Union antitrust rules were taken by national competition authorities. Therefore, it is essential that national competition authorities have all the powers they need to apply European Union antitrust rules effectively.
	Directive (EU) 2019/1, which empowers the competition authorities of member States to be more effective enforcers and to ensure the proper functioning of the internal market, was signed into law on 11 December 2018 and published in the Official Journal of the European Union on 14 January 2019.
	The Directive aims to ensure that when applying the same legal basis – the European Union antitrust rules – national competition authorities have the appropriate enforcement tools in order to bring about a genuine common competition enforcement area. To that end, the proposal provides for minimum guarantees and standards to empower national competition authorities to reach their full potential.
United Kingdom	The Competition and Markets Authority is a non-ministerial government department. It consists of an enforcement and a markets and mergers directorate. The Competition and Markets Authority investigates possible breaches of prohibitions against anti-competitive agreements under the Competition Act, brings criminal proceedings against individuals who commit cartel offences and enforces consumer protection legislation, particularly the

Country or group of countries	Description
	Unfair Terms in Consumer Contract Directive and Regulations.
Germany	In Germany, the competition authority (Federal Cartel Office) is an independent higher federal authority assigned to the Federal Ministry for Economic Affairs and Energy. It has a specific division which renders decisions on cartels, mergers and abusive practices (the so-called Decision Division). It also enforces German laws on consumer protection. All decisions have to be based on a majority. The Decision Division is autonomous and not subject to any instruction.
Republic of Korea	The Korea Fair Trade Commission was launched in 1981. It is the only competition agency in the country to investigate and decide against anti-competitive matters, such as abuse of market dominance, cartels and anti-competitive mergers and acquisitions, and determine the level of administrative fines (Monopoly Regulation and Fair Trade Act, Article 35).
China	Article 9 of the Anti-Monopoly Law of China provides that the State Council shall establish an Anti-Monopoly Commission, which is responsible for organizing, coordinating and guiding anti-monopoly work, and that the composition and working rules of the Anti-Monopoly Committee shall be established by the State Council. In addition, Article 10 stipulates that the Anti-Monopoly Enforcement Agency designated by the State Council (hereinafter referred to as the Anti-Monopoly Law Enforcement Agency under the State Council) shall be responsible for anti-monopoly law enforcement work. The Anti-Monopoly Law Enforcement Agency under the State Council may, as required, empower corresponding agencies in local governments of the provinces, autonomous regions and municipalities directly under the Central Government to be responsible for anti-monopoly law enforcement work, according to this Law.
	The National Assembly of China approved the plan to integrate the three competition authorities, the National Development and Reform Commission, the Ministry of Commerce and the State Administration Industry Commerce into one competition authority, the so-called State Administration for Market Regulation on 17 March 2018.
Brazil	After the changes in the institutional design of the antitrust authority in 2012, the investigative body is now part of the antitrust authority's structure and no longer a body within the Ministry of Justice. With a new law, the investigative functions of the Ministry of Justice were incorporated into the General Superintendence (under the Administrative Council for Economic Defence), which is now responsible for antitrust investigations, assessing mergers and forwarding litigious cases to the Tribunal.
	However, as the Secretariat for Economic Law was responsible for both antitrust law and consumer law enforcement, as a result of institutional restructuring, a new body was created that would solely be dedicated to consumer protection. In this sense, the antitrust authority is not responsible for consumer protection issues but is empowered to investigate and adjudicate potentially anti-competitive practices and mergers that may affect the Brazilian market.

B. Establishment of an administering authority and its title

11. The centrepiece of the competition policy regime is the competition authority which is usually called the Competition Commission or the Competition Council.

12. The independence of the competition authority in relation to its decision-making is at the core of regulatory governance. The Model Law on Competition has been formulated on the assumption that the most efficient type of administrative authority is probably one which is a quasi-autonomous or independent body of the Government, and which has strong powers for conducting investigations and applying sanctions etc., while at the same time providing for the possibility of recourse to a higher judicial body.

13. To shield the authority from outside interventions or influence, a number of jurisdictions (Hungary, the Republic of Korea, Slovakia and Turkey) have established an independent competition authority physically separated from traditional government ministries. Although the authority is not organically autonomous, as it depends on a ministerial body, it has hierarchical and functional autonomy so that it adopts decisions with full independence.⁵ In some jurisdictions (Germany, Greece and the United Kingdom), where the authority falls under a government minister (usually the minister for economic affairs or the minister for industry and trade), it can make decisions without approval of the minister concerned. In other countries, such as Burkina Faso and Tunisia, where the investigative arm of the authority is constituted as a separate collegiate body in the form of a council.

14. An interesting observation is that, in some jurisdictions – for instance, Brazil and the Republic of Korea – a competition authority started out as a ministerial department but later gained more or full independence. Indeed, Brazil changed its institutional design in 2012 to reinforce its independence and to centralize the competition functions under the antitrust authority's divisions; this includes investigative functions that used to be part of the Ministry of Justice's responsibility. In this sense, although the Ministry of Justice still has oversight over the antitrust authority in order to guarantee that it is performing its functions according to the law, the antitrust authority is not subordinated or hierarchically related to the Ministry. Thus, it is an independent and autonomous administrative tribunal.⁶ This suggests that a dynamic and evolutionary development strategy can be a practical approach in establishing the authority.

15. It should be emphasized that the independence in decision-making also requires budgetary and personnel independence. Budgetary independence ensures that funding does not become a tool for influencing the authority's decisions. Personnel independence requires that the authority's staff be employed by the authority itself, rather than by a government ministry. The level of independence enjoyed by the competition authorities of member States varies.

16. In some jurisdictions, such as Colombia,⁷ Peru⁸ and New Zealand,⁹ there has been a merging of different bodies into one body empowered with all functions in the areas of

⁵ The Korea Fair Trade Commission (Republic of Korea) is fully independent from the other government bodies in terms of personnel arrangements, administration of budget and decisionmaking.

⁶ See Organization for Economic Cooperation and Development, 2014, Round Table on Changes in Institutional Design of Competition Authorities, note by Brazil, available at http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/WD(2014)129 &doclanguage=en.

⁷ In addition to competition issues, the Superintendency is responsible for administration of the following legislation: patents, trademarks, consumer protection, chambers of commerce, technical standards and metrology. See Article 3 of Decree 2153 of 30 December 1992 on the Superintendency of Industry and Commerce.

⁸ According to Article 2.1 of Legislative Decree No. 1033, the National Institute for the Defence of Free Competition and the Protection of Intellectual Property is responsible for the implementation of legislation relating to the following areas: competition, anti-dumping and subsidies, consumer

restrictive business practices, consumer protection and corporate law. Vesting a single authority with a broad regulatory mandate may assist with maintaining integrity and coherence in enforcement policy.

17. Alternatively, some countries, such as the United States of America, have opted for several agencies exercising either separate or overlapping enforcement jurisdictions. While this is administratively complex, overlapping jurisdictions may ensure more rigorous enforcement, by making it harder for industry to influence the authorities.

18. In addition, some countries also permit private enforcement, and, in some cases, actively incentivize it (for example, treble damages actions in the United States of America). Private enforcement enables those most affected by anti-competitive behaviour to take action of their own volition, rather than relying on the authority, which may be resource-constrained or have different enforcement priorities.

C. Composition of the authority, including its chairmanship and number of members, and the manner in which they are appointed, including the authority responsible for their appointment

19. The number of members of the Authority differs from country to country. Under some legislations, the number is not fixed and may vary within a minimum and maximum number, for example in Switzerland¹⁰ and India.¹¹ Other countries state in their legislation the exact number of members, for example Algeria, Argentina, Brazil, Bulgaria, Costa Rica, Côte d'Ivoire, Malta, Mexico, Panama, Peru, Portugal, the Republic of Korea and the Russian Federation. Other countries, such as Australia, have left the choice of the number of members to the Government/responsible minister.

20. There are a number of appointment methods employed by different countries. In many countries, for instance Japan, Indonesia and Ukraine, the law leaves the appointment of the Chair and the members of the Commission to the highest political authority (e.g. the president). In other countries, such as Zambia and Zimbabwe, the law provides that a senior government official is designated to make the appointments. In some countries, such as India and Malta, it is obligatory to publish the appointments in official gazettes, for public knowledge. Some legislation establishes the internal structure and the functioning of the authority and rules for its operation, whereas other legislation leaves such details to the authority itself.

D. Qualifications of persons appointed

21. Successful competition law enforcement requires a broad range of skills to come together: legal expertise, economic expertise, public administration skills, regulatory enforcement experience and specific industry knowledge. Ideally, the members of the Authority should collectively demonstrate a high level of expertise in these areas.

22. Several laws establish the qualifications that any person should have in order to become a member of the Authority. For example, in Brazil, members of the Administrative

protection, advertising, unfair competition, metrology, quality control and non-tariff barriers, bankruptcy procedures, trademarks, patents, plant varieties, appellations of origin and transfer of technology.

⁹ The Commerce Commission is an independent Crown entity established under section 8 of the Commerce Act 1986. It enforces legislation that promotes competition in New Zealand markets and prohibits misleading and deceptive conduct by traders. The Commission also enforces several pieces of legislation which, through regulation, aim to provide the benefits of competition in markets where effective competition does not exist, for example in the telecommunications, dairy, electricity, gas pipelines and airport sectors. See http://www.comcom.govt.nz/about-us/.

¹⁰ According to Article 18 (2) of the Federal Act on Cartels and Other Restrictions to Competition Act, the Competition Commission has between 11 and 15 members.

¹¹ According to Section 8 (2) of the Competition Act 2002, the Commission shall consist of a Chairperson and not less than 2 and not more than 10 other members to be appointed by the Central Government.

Economic Protection Council are selected from citizens reputed for their legal and economic knowledge and unblemished reputation. ¹² In Pakistan, members of the Competition Commission must be known for their integrity, expertise, eminence and experience for not less than 10 years in any relevant field, including industry, commerce, economics, finance, law, accountancy and public administration.¹³

23. To avoid any possible conflict of interest, many legislations state that the member (and staff) of the authority should not have interests which would conflict with the functions to be performed. In India, for example, a person should not have any financial or other interest likely to affect prejudicially his functions. Pursuant to Section 51 (5) of the German Act against competition restraints, in Germany, the members of the Federal Cartel Office must not be owners, chairs or members of the board of management or supervisory board of any enterprise, cartel, trade industry association or professional association. In the United Kingdom, the panel members of the Competition and Markets Authority must follow a code of conduct according to which they must not occupy paid political posts or hold particularly sensitive or high-profile unpaid roles in a political party. On matters directly affecting the Competition and Markets Authority's work, members should not make political speeches or engage in other political activities.¹⁴ In Hungary, the president, vice-presidents, Competition Council members and other civil servant staff members of the competition authority may not pursue activities for profit other than those dedicated to scientific, educational, artistic, authorial and inventive pursuits, as well as activities arising out of legal relationships aimed at linguistic and editorial revision, and may not serve as senior officials of a business organization or members of a supervisory board or board of directors.15

24. Some countries appoint representatives of stakeholder industries, associations (e.g. professional or trade associations) or groups (e.g. labour groups/unions) to the membership of the authority. This has the advantage of importing direct industry experience into the authority, but conversely may become a conduit through which industry can unduly influence enforcement policy.

E. Tenure of office of the Chair and members of the authority, for a stated period, with or without the possibility of reappointment, and the manner of filling vacancies

25. The tenure in office of the members of the administering authority varies from country to country. At present, members of the administering authority are appointed in Mexico for 10 years, in the United Kingdom for 8 years, in Italy for 7 years, in Hungary for 6 years, in Armenia and Indonesia for 5 years, in Argentina and Brazil for 4 years, and in other countries, such as Switzerland, for an indefinite period. In many countries, members have the possibility of being reappointed, though sometimes only for a single time.

F. Removal of members of the authority

26. Administrative independence requires that the members of the authority be protected from removal from office for political reasons. In general, therefore, members of the authority should be removed before their tenure expires only for cause.

27. Legislation in several countries provides an appropriate authority with powers to remove from office a member of the administering authority that has engaged in certain actions or has become unfit for the post. For example, becoming physically incapable is a reason for removal in Japan, Serbia, South Africa and the United Republic of Tanzania;

¹² Article 4, Federal Law No. 8884 of 1994 on the Competition Defence System.

¹³ Section 14 (I) 5 of the Ordinance XVI of 2010.

¹⁴ See the code of conduct for Competition and Markets Authority panel members, available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/509 669/Code_of_conduct_for_CMA_panel_members.pdf.

¹⁵ Act No. I VII of 1996 on the Prohibition of Unfair and Restrictive Market Practices, Article 40.

becoming bankrupt, in Japan, Malawi, Malta and Singapore; and being absent from duty except on leave for a specified period, in Australia. In Mexico, commissioners can only be removed "for a duly substantiated serious" failing in the obligations that one acquires as a member of the administering authority. Another cause for removal is being sentenced to disciplinary punishment or dismissal, for example in Hungary.¹⁶ The procedure for removal varies from country to country.

G. Possible immunity of members against prosecution or any claim relating to the performance of their duties or discharge of their functions

28. In order to protect the members and officers of the administering authority from prosecution and claims, full immunity may be given to them when carrying out their functions. In Pakistan, for example, the authority and any of its officials or servants have immunity against any lawsuit, prosecution or other legal proceeding for anything done in good faith, or intended to be done, under Pakistani competition law.¹⁷

29. Immunity from lawsuits should not prevent affected citizens or companies from taking legal action against the authority itself (rather than its members) for alleged breaches of the law or excesses of authority.

H. The appointment of necessary staff

30. There are variations in the way that staff of the administering authority are appointed. In some countries, the administering authority appoints its own staff. In others, the government has this power. As mentioned earlier, administrative independence requires the Authority to have the power to appoint and employ personnel. Consequently, countries that emphasize independence allow the authority to appoint and employ its own personnel.

31. There is no unique answer for designing competition authority. Some competition authorities are collegiate administrative agencies and others are single administrative agencies. Furthermore, there are agencies which have competition promotion function and consumer protection. In addition, any competition authority should absolutely consider working efficiency, performance, and effectiveness.

32. However, the most important thing is that the competition authority has independence from traditional government ministries. Where organic autonomy is not fully established, the authority can have functional independence in its enforcement activities. Concretely, the authority should insulate government influence through budgetary and personnel administrative independence.

¹⁶ Article 34/A of Act No. LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices.

¹⁷ Article 46 of Ordinance XVI of 2010.