

Oisins's Bits: Visa ended Plaid bid to get DOJ off its back; the DOJ is still breathing down its neck • Pershing's NetX360 upgrade makes Orion software hum like at no other custodian -- for now • Addepar says its data shows pandemic made even RIAs misjudge market

DOJ scrutiny scuttled Visa's bid for Plaid. The Feds saw more under the hood • Orion and Pershing bid to make switching between software to trade and read documents outmoded with new data tie-up • RIA jitters over prospective losses may have hit clients' wallets, according to Addepar research.

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1 Comment



Ari Sonneberg: The Plaid deal opened Pandora's Box for Visa.

Visa Inc. made a just-in-time retreat from making a \$5-billion purchase of Plaid after the Department of Justice (DOJ) went after it for alleged anti-competitive domination of the payments business.

Or not.

The DOJ revealed last week it launched a second anti-trust probe, this time into VISA's core debit card business -- almost certainly with the previous Plaid investigation provoking the fresh legal challenge, says one legal veteran.

"There's little doubt that the Plaid deal opened a Pandora's Box for Visa," says Ari Sonneberg, partner and chief marketing officer at Boston-based Wagner Law Group, via email.

"There was no indication prior to the Plaid deal that Visa's debit business was anywhere on the DOJ's radar," he says.

Plaid made RIA radar screens because it bought Yodlee competitor, Quovo. See: [Quovo rakes in \\$4.75 million from VC backers and a triumvirate of angel RIAs: Carson, Bicknell and Lockshin](#)

The Feds are investigating whether Visa restricts merchants from routing transactions over cheaper card networks, the [Wall Street Journal \(WSJ\)](#) reported, Mar. 19. See: [With Visa-Plaid deal closing five months delayed already, Feds accuse Bain & Co. of stonewalling.](#)

Visa confirmed the DOJ investigation by filing Form 8K on the same day.



Assistant Attorney General Makan Delrahim: Diligent efforts to prosecute [the Plaid] case convinced the parties to abandon the deal.

Interchange

The DOJ probe centers on the interchange fees retailers and online merchants pay to process card transactions.

Central to the investigation is whether Visa maintains its dominant market share by making it difficult to route transactions with a Visa-branded card through cheaper payment networks like Shazam and NYCE, according to the WSJ.

The regulator's prior investigation of the Plaid deal also means that it knows what to look for and where, according to Sonneberg. See: [After shaking down Bain for evidence, DOJ files suit to stop Visa purchase of Plaid, a nightmarish turn of events for the \\$5.3-billion dream deal.](#)

"It was almost certainly the DOJ's work to block the Plaid deal that exposed the technology Visa uses [to] allegedly make it difficult for online debit transactions to be routed," he says.



Visa CEO Alfred F. Kelly is facing a second federal probe over alleged market practices.

The Durbin amendment of the 2010 Dodd-Frank Act mandates that all merchants must have the choice of at least two separate payment networks for card transactions. Visa allegedly uses its position as a market leader to make it difficult for rivals to offer such an alternative.

Together, Visa and arch-rival Mastercard earned \$62.5 billion from interchange fees in 2020, according to the WSJ.

Visa declined to comment, beyond its 8K filing.

A bitter pill

News of the DOJ's fresh investigation sent Visa shares tumbling 6%, wiping \$27 billion off its market capitalization. Today the \$445 billion-valued giant was trading at \$214.53 before market close, a discount from its 52-week high of \$228.23 versus its 52-week low of \$211.12.

In the two weeks following the Plaid deal's Jan. 12 collapse, Visa's market capitalization plummeted \$33.8 billion, or 7.5%.

The company moved to acquire Plaid to boost its share of the digital payments market where it has made few inroads. See: [Visa and Plaid break off merger in face of DOJ anti-trust suit, with Plaid -- with other buyers circling -- likely the long-term winner, says one analyst.](#)

Yet if Visa knew that its Plaid bid would put it in the cross-hairs of the DOJ, it would never have moved to buy the San Francisco technology vendor, says Sonneberg.

"Visa expected some headwinds. Perhaps, it even envisioned possibly having to abandon the deal [but] it's highly unlikely it predicted that the

