

Market Review on the Digital Economy Ecosystem Under the Competition Act 2010

Malaysia Competition Commission (MyCC)

Draft final report: Book 4 (Online travel agencies)

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Abbreviations

AAE	AirAsia × Expedia
ACCC	Australian Competition & Consumer Commission
AGCM	Autorità Garante della Concorrenza e del Mercato
AGM	Annual General Meeting
AGP	Agoda Growth Program
AI	Artificial Intelligence
APAC	Asia Pacific
APEC	Asia-Pacific Economic Cooperation
API	Application Programming Interface
AR	Augmented Reality
ARR	Average Room Rate
ASEAN	Association of Southeast Asian Nations
ASP	Application Service Provider
AUD	Australian Dollar
BEPS	Base Erosion and Profit Shifting
BNM	Bank Negara Malaysia
BNPL	Buy Now, Pay Later
BRI	Belt and Road Initiative
CAGR	Compound annual growth rate
CAP	The Consumers' Association of Penang
CCCS	Competition and Consumer Commission of Singapore
CCI	Competition Commission of India
CCM	Commission of Malaysia
CCTV	Closed-circuit television
CDEI	Centre for Data Ethics and Innovation
CII	Critical Information Infrastructure
CIN	Codice Identificativo Nazionale
CMA	Competition and Markets Authority/Communications and Multimedia Act
CNMC	Spanish National Authority for Markets and Competition
COVID	Coronavirus Disease
CPA	Cost per Acquisition/Action
CPC	Cost per Click
CPS	Cost per Stay

CRM	Customer Relationship Management
CRS	Central Reservation Systems
CVV	Card verification value
DDI	Domestic Direct Investment
DMA	Digital Markets Act
DMCC	Digital Markets, Competition and Consumers
DNB	Digital Nasional Bhd
DOJ	Department of Justice
DOSM	Department of Statistics Malaysia
DPO	Data Protection Office
DSA	Digital Services Act
DSAR	Data Subject Access Request
EC	European Commission
ECJ	European Court of Justice
EGM	Extraordinary General Meeting
EPU	Economic Planning Unit
ESG	Environmental, Social, and Governance
EU	European Union
EUR	Euro
FBA	Fulfillment by Amazon
FCA	French Competition Authority
FCO	Federal Cartel Office
FGD	Focus Group Discussion
FOMCA	The Federation of Malaysian Consumers Associations
FRP	Foreign Registered Person
FTC	Federal Trade Commission
FWIG	Foreign Workers Insurance Guarantee
FYE	Financial Year End
GB	Gigabyte
GDI	Global Digitalisation Index
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GDS	Global Distribution Systems
GERD	Gross Domestic Expenditure on R&D
GMT	Global Minimum Tax
HHI	Herfindahl-Hirschman index
HK	Hong Kong

HKCC	Competition Commission of Hong Kong
HOTREC	Committee of the Hotel and Restaurant Industry in the European Community
IAP	In-app Purchases
IC	Integrated Circuit
ICA	Italian Competition Authority
ICT	Information and Communication Technology
ID	Identification
IDC	International Data Corporation
IDI	In-depth interview
IHA	Hotelverband Deutschland
IHG	InterContinental Hotels Group
IMD	Institute for Management Development
IP	Internet Protocol/Intellectual Property
IRB	Inland Revenue Board
IT	Information Technology
ITU	International Telecommunication Union
JARING	Joint Advanced Research Integrated Networking
JBPM	Fire and Rescue Department of Malaysia
JDN	National Digital Department
JENDELA	National Digital Infrastructure Plan
JFTC	Japan Fair Trade Commission
JMB	Joint Management Body
JPDP	Jabatan Perlindungan Data Peribadi
JV	Joint Venture
KEGA	Key Economic Growth Area
KPDN	Ministry of Domestic Trade and Cost of Living
KPKT	Ministry of Housing and Local Government
LHDN	Inland Revenue Board of Malaysia
LVG	Low-Value Goods
MADANI	keMampanan (Sustainability), kesejAhteraan (Prosperity), Daya cipta (Innovation), hormAt (Respect), keyakiNan (Trust) and Ihsan (Compassion)
MAH	Malaysian Association of Hotels
MAMPU	Malaysian Administrative Modernisation and Management Planning Unit
MATTA	Malaysian Association of Tour and Travel Agents

MAVCOM	Malaysian Aviation Commission
MC	Management Corporation
MCMC	Malaysian Communications and Multimedia Commission
MCPA	MyChannel Partner Agreement
MCSS	Malaysia Cyber Security Strategy
MDC	Multimedia Development Corporation
MDEB	Malaysia Digital Economy Blueprint
MDEC	Malaysia Digital Economy Corporation
MFHS	Muslim Friendly Hospitality Services
MFN	Most Favoured Nation
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
ML	Machine Learning
MM	Market Manager
MOC	Memorandum of Cooperation
MOF	Ministry of Finance
MOSTI	Ministry of Science, Technology and Innovation
MOTAC	Ministry of Tourism, Arts and Culture
MPC	Malaysia Productivity Corporation
MRANTI	Malaysian Research Accelerator and Technology Innovation
MS	Malaysian Standards
MSC	Multimedia Super Corridor
MSIC	Malaysia Standard Industrial Classification
MSME	Micro, Small and Medium Enterprises
MYR	Malaysia Ringgit
N-IICS	Number-Independent Interpersonal Communication Service
NACSA	National Cyber Security Agency
NADI	National Information Dissemination Centres
NAIO	National Artificial Intelligence Office
NCS	National Security Council
NESR	National E Commerce Strategic Roadmap
NIIF	New Investment Incentive Framework
NIMP	National Industrial Master Plan
NSW	National Single Window
NTIS	National Technology and Innovation Sandbox
OECD	Organisation for Economic Co-operation and Development
OS	Operating System

OTA	Online Travel Agency
PADU	Pangkalan Data Utama
PDG	Princeton Digital Group
PDPA	Personal Data Protection Act
PE	Permanent Establishment
PENJANA	Pelan Jana Semula Ekonomi Negara
PIAM	General Insurance Association of Malaysia
PLKS	Pas Lawatan Kerja Sementara
PMS	Property Management Systems
PPC	Pay-per-click
PPP	Public-Private Partnerships
PSA	Postal Services Act
PTD	Package Travel Directive
AI-RMAP	Artificial Intelligence Roadmap
RMCD	Royal Malaysian Customs Department
SC	Securities Commission Malaysia
SCENIC	Sabah Creative Economy and Innovation Centre
SDEC	Sarawak Digital Corporation
SECOMS	Strategic E Com Services
SEM	Search Engine Marketing
SEO	Search Engine Optimisation
SIRIM	Institut Piawaian dan Penyelidikan Perindustrian Malaysia
SLA	Service level agreement
SME	Small and Medium Enterprise
SPIP	Tourism Industry Licence System
SPV	Shared Prosperity Vision
SSM	Suruhanjaya Syarikat Malaysia
SST	Sales and Service Tax
STRA	Short-term rental accommodations
SUPER	Malaysia Startup Ecosystem Roadmap
SWN	Single Wholesale Network
TFEU	Treaty on the Functioning of the European Union
TIP	Tempat Inap Persendirian
TOBTAB	Tour Operating Business & Travel Agency Business
TPM	Technology Park Malaysia
TTPM	Tribunal of User Claims Malaysia
TV	Televisions

UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNIRM	UOB Rewards Points
UOB	United Overseas Bank
U.S.	United States
USD	United States Dollar
VAT	Value-added tax
VC	Venture Capital
VIP	Very Important Person
WCC	World Competitiveness Center
WHT	Withholding Tax
YTL	Yeoh Tiong Lay
ZTE	Zhongxing Telecommunication Equipment

1. Executive summary

1.1 Global digital economy

- The digital economy encompasses a wide range of activities primarily driven by digitised technologies. The sector is dynamic and rapidly evolving, continuously adapting to technological advancements and changing societal needs.
- As of 2022, the sector was valued at USD 11.1 trillion globally, with an expected annual growth rate of 10.4% by 2028.
- Key trends shaping the sector's development include its growing role in geopolitics, data emerging as a critical factor, and increasing digitalisation of governments, businesses, and consumers.
- The sector has given rise to companies that dominate global industries – e.g., Google, Apple, Meta. Many of the largest global companies are also operating across multiple industries.
- Key players' involvement in anti-competitive practices are becoming more prominent, largely due to their strong dominance and traditional regulatory frameworks struggling to keep up with rapid sector changes.
- As Malaysia continues to develop its digital economy, understanding the sector and the potential anti-competition challenges posed by key players will be crucial.

1.2 Digital economy in Malaysia

- In Malaysia, its digital economy sector is crucial to the country's growth. In 2023, it contributed approximately 23.5% to the national gross domestic product (GDP) and employed around 1.2 million people (7.8% of total employment). E-commerce holds the largest share, at about 41%.

- The sector is vulnerable to anti-competitive practices and data privacy violations. Several companies, such as Dagang Net, MyEG, Grab, Shopee, Carousell, and iPay88, have faced both allegations and formal investigations in recent years. As the digital economy grows, anti-competitive cases are expected to rise.
- Malaysia has developed several policies and regulations to support the digital economy. However, there are gaps which hinder effective oversight and enforcement, such as the lack of an overarching digital economy framework, unclear jurisdictional boundaries between regulatory bodies, and overlapping competition regulations.
- As anti-competitive practices increase, it is essential for Malaysia to understand the technologies and complexities within the sector, especially in the four sub-sectors.

1.3 Online travel agencies (OTAs)

- This market review focuses specifically on accommodation-related OTAs, digital platforms that connect travellers with lodging providers such as hotels, hostels, and short-term rental accommodations (STRAs).
- As of March 2024, direct hotel website bookings account for 34.5% of all domestic bookings, while OTAs hold a close 32.4% share, reflecting their rising popularity due to convenience, price transparency, and access to exclusive deals.
- Five key player types exist along the OTA supply chain, including:
 - **Properties (Hotels, STRAs):** Core providers of room inventory and guest services.
 - **Hospitality tech providers:** Digital enablers that connect properties to OTAs via PMS and CRS integration.
 - **Wholesalers:** Purchase inventory in bulk from hotels and distribute it to OTAs or traditional agents.

- **OTAs:** Serve as the primary booking platforms for travellers.
 - **Metasearch engines:** Aggregate listings across OTAs, helping consumers compare prices before booking.
- Leading OTAs in Malaysia (by hotel bookings volume, 2024) include Agoda, Booking.com, Trip.com, Tiket, and Traveloka, with Agoda and Booking.com widely recognised as the most dominant players, each estimated to hold 30-40% of market share.
- In terms of regulatory environment, OTA operations in Malaysia are currently governed by the Tourism Industry Act 1992, which was drafted before the rise of digital platforms. As such, it does not explicitly address online or platform-based travel intermediaries, resulting in regulatory ambiguity.
- There is also no centralised regulatory framework for STRAs, unlike hotels, which must comply with licensing, safety standards, and tourism tax obligations. This creates a regulatory and cost imbalance, leading to ongoing complaints of an uneven playing field.
- For competition-related issues, price parity clauses remain a core competition concern. Many OTAs require hotels to offer the same rates across all channels, including the hotel's own website. This limits pricing flexibility for hotels and may reduce competition across distribution channels.
- There are also issues related to hotel visibility, which, apart from factors such as popularity, guest ratings, and pricing, can also be influenced by the commission rates paid by hotels.
- Seven broad recommendations are proposed, with the most urgent being the development of a unified legislative framework to clarify roles, enforce standards, and create a fairer digital marketplace.

- Ongoing engagement between government agencies, industry associations, and platform operators is also essential to ensure responsive, collaborative, and balanced regulations.
- Three targeted actions also recommended to address specific issues in the OTA sub-sector:
 - **Investigation action on price parity clause by MyCC**, which MyCC explicitly reserves the right to take action if the clauses trigger its investigation powers under the Competition Act 2010.
 - **Enhance operational transparency in OTAs:** Amend existing Tourism Industry Act 1992 (already ongoing) to introduce new requirements for OTA.
 - **Strengthen legal framework for mandatory registration and operation of STRAs**, including the mandatory registration and licensing of short-term accommodation providers operating on online platforms.
- Six general recommendations also being proposed, with the most critical being the establishment of a central digital economy taskforce. This taskforce would lead key high-level initiatives, including the development of a digital platform ombudsman, clear guidelines on platform conduct, and a unified legislative framework to clarify regulatory roles, address existing gaps, and ensure a level playing field across the digital ecosystem.
- Another key general recommendation is the consolidation of competition oversight under a single authority. Aligned with the 13th Malaysia Plan, this aims to clarify and delineate the regulatory boundaries between MyCC and other sectoral regulators with competition mandates.

2. Introduction

2.1 Market review on the digital economy ecosystem

The Malaysia Competition Commission (MyCC) is an independent body established under the Competition Commission Act 2010, tasked with enforcing the Competition Act 2010. Through its efforts, MyCC aims to foster a robust, efficient, and sustainable economy for Malaysia and its people.

Under section 11(1) of the Competition Act 2010, MyCC has the authority to conduct market reviews to assess if there are any activities in a market that may prevent, restrict or distort competition. These reviews help MyCC understand market conditions and identify any competition issues that need to be addressed.

Given the rapid growth of the digital economy, MyCC has decided to conduct a market review focusing on selected digital economy sub-sectors. The market review will be the eighth review, following previous studies on the professional body fees, domestic broiler market, pharmaceutical, building materials in construction, food, wholesale retail trade and transportation sectors since 2013.

2.2 Market review objectives

The Market Review on the Digital Economy Ecosystem under the Competition Act 2010 aims to achieve the following objectives:

- To study the market structure, supply chain and profile of industry players that are involved throughout the upstream and downstream of the digital economy and sub-sectors studied;
- To study any market interactions and competition concerns in the digital economy and sub-sectors studied;
- To study the extent of potential market distortion by authority's regulations and policies and whether government intervention is

necessary in curbing competition concerns in the digital economy and sub-sectors studied; and

- To provide recommendations to the government agencies and regulators in the digital economy to minimise the actual or potential restrictive effect of regulations on competition.

2.3 Expected outcomes

Four outcomes expected from the market review of the digital economy sector:

- Identify potential anti-competitive behaviour in the sub-sectors, and validate the effectiveness of MyCC's enforcement tools;
- Provision of an all-encompassing study of the digital economy to the government (which provides details on the supply chain and its current state and prospect);
- Provision of better understanding of the sector to the government in the areas of market practices and competition issues; and
- Serve as a detailed guidance for the government and industry stakeholders to bolster Malaysia's digital economy in line with international standards, thereby further boosting its contribution to the national GDP.

2.4 Research methodology

This study employs a two-pronged approach, incorporating both primary and secondary research methods:

Table 1: Research methodologies

Methodology	Activity	Details
Primary research	Focus group discussion (FGD)	Qualitative data collection method through the gathering of a small group

Methodology	Activity	Details
		of relevant supply chain stakeholders for each sub-sector. Purpose of the FGDs is to validate existing understanding of the market structure, as well as current practices by stakeholders.
	In-depth interviews (IDI) with sub-sector stakeholders	Sessions with sub-sector stakeholders to gain deeper insight in their practices and operations. Aside from key sub-sector players, related stakeholders along the supply chain such as associations, merchants, logistics providers, advertisers, agencies, hotels, etc., are engaged to gain better understanding of the potential anti-competition practices by key players.
	Written input from sub-sector players	Formal submissions provided by sub-sector players either following an IDI session or on their own initiative after receiving a list of interview questions from MyCC.
	Sub-sector surveys	Four online surveys targeting customers

Methodology	Activity	Details
		(differ according to sub-sectors) of the four sub-sectors. Questions focused on three main areas: (1) respondent profile, (2) the nature of the operational relationship with the key player, and (3) key challenges encountered.
	End-user/ public survey	One survey targeting end-users across the four sub-sectors (app users, e-commerce buyers, individuals who have interacted with digital advertisements and OTA users). Survey focused on understanding consumer behaviour throughout the customer journey, from initial awareness to post-purchase engagement.
	Public consultation sessions	Online-based public consultations to both share findings and gather additional insights from stakeholders, with the aim of refining the market study.
Secondary research	Literature review	Review of existing literature, including industry reports, market

Methodology	Activity	Details
		studies, and government publications.
	Public data/information review	Utilise secondary data from reputable sources.
	Industry research report review	Assess industry-specific reports to gather complete picture of each sub-sector's market structure.
	Player analysis	Examine various secondary information/data related to the players, focusing on areas that may be indicative of anti-competition practices.
	Benchmarking analysis	Review of anti-competitive practices in similar sub-sectors across other countries, as well as initiatives taken to curb it.

Source: MyCC

2.5 Focus of the market review

The review focuses on three sections:

2.5.1 Overview of the digital economy sector

Historical performance and expected performance of the sector as a whole, including key policies and regulations related to the digital economy.

2.5.2 Sub-sector deep dive

Four digital economy sub-sectors are selected for review in this study, with focus on its:

1. **Study scope:** Scope/ market boundaries of the review. The boundaries are outlined solely to define the study area and do not reflect MyCC's final view on the sub-sector.
2. **Market structure and supply chain:** Organisation of the sub-sector, specifically how services flow within the supply chain.
3. **Market practices:** Common business practices employed by players in the sub-sector.
4. **Data privacy and protection:** Data collection and management practices by key players within the sub-sector.
5. **Sub-sector regulations:** Regulations, guidelines and codes specific to the sub-sector, as well as relevant issues.
6. **Consumer behaviour and innovation trends:** Consumer behaviour in interacting with the sub-sector, along with the latest innovation trends that may impact competition.
7. **Key players:** Key players along the sub-sector's supply chain.

8. **Key market-related issues:** Key structural or functional problems found in the sub-sector.
9. **Competition assessment:** Degree of competition within the sub-sector based on the following three areas - market concentration, degree of horizontal and vertical integration and level of entry barriers. These assessments are based on insights and data gathered from FGDs, IDIs, and secondary research sources.
 - **Market concentration:** Extent to which a small number of firms dominate the sub-sector (defined based on the study scope), reflecting the level of competition within the market. Two key quantitative measures used to assess this: the Herfindahl-Hirschman Index (HHI) and the Concentration Ratio of the top 4 firms (CR4):

Table 2: Overview of HHI and CR4

Factors	HHI	CR4
Definition	- Commonly used measure of market concentration and competition among companies in a sector. - Assesses how much market share is controlled by the key companies.	- Another common measure of market concentration that focuses on the largest companies in a sector. - It shows how much of the market is controlled by the top four companies.
Formula	$HHI = S1^2 + S2^2 + S3^2 + \dots$ - S1, S2, etc.: Refers to the market share (in %) that	$CR4 = S1 + S2 + S3 + S4$ - S1, S2, S3, S4.: Refers to the market share (in %) of four largest

Factors	HHI	CR4
	key players hold in the sub-sector	players in the sub-sector
Indication of competition	• < 100 = no concentration • 100-1,500 = low concentration • 1,500-2,500 = medium concentration • > 2,500 = high concentration	• 0% = no concentration • 1-49% = low concentration • 50% = oligopoly • 51-99% = high concentration • 100% = monopoly

Source: Corporate Finance Institute

- **Degree of horizontal and vertical integration:** Extent to which sub-sector players expand their control either by merging or acquiring competitors at the same stage of production (horizontal) or by controlling multiple stages of the supply chain (vertical).
- **Level of entry barriers:** Assessment of how easy or difficult it is for new companies to enter the sub-sector.

10. **Key competition-related issues:** Behaviours and activities observed that harm fair competition in the sub-sector.

The focus sub-sectors in this review are:

(a) Mobile Operating & Payment System

Software platforms designed for mobile devices and serve as intermediaries between device hardware and applications. This study will focus exclusively on the mobile operating system (OS), app store, app distribution and its integrated payment system.

(b) E-commerce (retail marketplace)

Business-to-consumer (B2C) marketplace platforms that allow users and merchants to buy and sell goods over the internet. These platforms act as intermediaries between sellers and buyers. This excludes service-related (e.g., transportation, food delivery) platforms.

(c) Digital Advertising Services

Online marketplaces and platforms that enable supply and demand partners to buy or sell digital ad inventory, with ads displayed on search engine results, social media, and other digital properties.

(d) Online Travel Agencies (OTAs)

Web and mobile-based platforms that allow consumers to book travel services, with the focus being only on accommodation booking platforms.

The selected sub-sectors are based on two considerations: (a) alignment with other digital economy studies and (b) alignment with key digital economy anti-competition cases. Detailed rationale is highlighted in section 2.6.

In addition to the four sub-sectors, one enabling area will be studied across them:

(e) Data Privacy & Protection:

Data plays a central role in the business models of all the aforementioned sub-sectors. For example, app stores use data to customise app offerings and improve user experience; e-commerce marketplaces rely on customer data to personalise product recommendations; digital advertisers leverage data to tailor content and target audiences effectively; and OTAs rely on data to offer personalised travel recommendations and dynamic pricing.

Given the critical role of data in the digital economy, access to relevant data can thus be a key factor in determining the competitive position of

companies in their respective sub-sector ¹. influencing both market dominance and the ability to expand its market presence.

This study examines two key data-related areas:

- **Data privacy:** which relates to the rights of internet users to control which data is shared with whom, and how their personal information is used in the digital marketplace.
- **Data protection:** which focuses on the mechanisms and management practices employed by companies (data controller) to prevent the misuse or unauthorised access of personal and sensitive information that they collect, store, and process.

In understanding data privacy & protection across the four sub-sectors, key areas of data collection, usage, control and compliance will be studied.

2.5.3 Strategic recommendations

Key recommendations for each sub-sector are provided to address the identified competition- and regulatory-related issues. These recommendations may be implemented by the relevant ministries and government agencies to promote greater competition and ensure an inclusive digital economy, without undermining foreign investment or stifling innovation.

2.6 Benchmarking studies

The selected sub-sectors (mobile operating and payment system, e-commerce (retail marketplace), digital advertising services and online travel agencies) are based on two considerations, aimed at identifying areas with the highest likelihood for anti-competitive practices:

¹ CMA (2021). Competition and data protection in digital markets: a joint statement between the CMA and the ICO, page 13. <https://ico.org.uk/media/about-the-ico/documents/2619797/cma-ico-public-statement-20210518.pdf>

2.6.1 Alignment with other digital economy studies

Table 3: Key published studies on the digital economy by competition commissions of selected economies:

Study	Focus areas	Relevant sub-sector
Final Report Regarding Digital Advertising (2021) by Japan Fair Trade Commission ²	• Examination of the digital advertising market practices, focusing on how digital platforms interact with advertisers, publishers, and consumers • Identification of potential abuses of dominant positions under the Antimonopoly Act.	Digital advertising
Market Study Report on Mobile OS and Mobile App Distribution (2023) by Japan Fair Trade Commission ³	• Analysis on the dominance of Apple and Google, highlighting concerns over high fees, self-preferencing, and limited competition.	Mobile OS
Market study on e-commerce in India (2020) by Competition Commission of India ⁴	• Analysis of the e-commerce sector, with focus on identifying competition impediments such as lack of platform neutrality, unfair	E-commerce

² JFTC (2025). Press releases. <https://www.jftc.go.jp/en/>

³ JFTC (2025). Press releases. <https://www.jftc.go.jp/en/>

⁴ CCI (2025). Market studies and research. <https://www.cci.gov.in/economics-research/market-studies/details/18/6>

Study	Focus areas	Relevant sub-sector
	contracts, exclusive arrangements, and deep discounting.	
Mobile ecosystems market study final report (2022) by United Kingdom's (UK) Competition and Markets Authority ⁵	Examination of how Apple's and Google's dominance over mobile OS, app stores, and web browsers affects competition and consumer outcomes.	Mobile OS
Online Travel Booking Sector (2019) by Singapore's Competition & Consumer Commission ⁶	Examination of competition and consumer protection issues in the online travel booking industry, identifying practices such as drip pricing, pre-ticked boxes, and misleading claim.	OTA
E-commerce Platforms (2020) by Singapore's Competition & Consumer Commission ⁷	Examination of competition and consumer protection issues in Singapore's multi-sided e-commerce platforms.	E-commerce

⁵ GOV.UK (2025). Competition and markets authority. <https://www.gov.uk/government/organisations/competition-and-markets-authority>

⁶ CCCS (2025). Market studies. <https://www.cccs.gov.sg/resources/publications/market-studies/>

⁷ CCCS (2025). Market studies. <https://www.cccs.gov.sg/resources/publications/market-studies/>

Study	Focus areas	Relevant sub-sector
Digital Platforms Services Inquiry 2020-25 (2025) by Australian Competition & Consumer Commission ⁸	Examination of the competitive and consumer impacts of digital platform services, including internet search engines, social media, online messaging, app marketplaces, digital advertising, and data practices.	Digital platform
Market study on the distribution of hotel accommodation in the EU (2020) by the European Commission ⁹	Examination of distribution practices among hotels, OTAs, and price comparison sites.	OTA

Source: JFTC, CCI, Gov.UK, CCCS, ACCC and European Union

Table 4: Other relevant published studies on the digital economy by competition commissions of selected economies:

Country	Year	Study	Focus area
Japan ¹⁰	2019	Report regarding trade practices on digital platforms (Business-to-Business transactions on online retail platform and app store)	E-commerce, Mobile OS
	2021	The Study Group on Competition Policy in Digital Markets Released the Report on Algorithms/AI and Competition Policy	General digital economy

⁸ ACCC (2025). Publications. <https://www.accc.gov.au>

⁹ EU (2025). Competition Policy. https://competition-policy.ec.europa.eu/index_en

¹⁰ JFTC (2025). Press releases. <https://www.jftc.go.jp/en/>

Country	Year	Study	Focus area
		Report of the Study Group on Competition Policy for Data Markets	Data
	2022	Report Regarding Cloud Services	Cloud services
	2023	Report on the Follow-up Survey on Fintech-based Services	Fintech
United Kingdom ¹¹	2019	Assessment of merger control decisions in digital markets	General digital economy
	2020	Centre for Data Ethics and Innovation (CDEI) Review of online targeting	
	2021	2021 Compendium of approaches to improving competition in digital markets	
	2022	CMA consumer research into purchasing behaviour in the UK smartphone market	Mobile OS
		Online Choice Architecture: How digital design can harm competition and consumers	General digital economy
		2022 Compendium of approaches to improving competition in digital markets	
		Music and streaming market study	Music & streaming
	2023	2023 Compendium of approaches to improving competition in digital markets	General digital economy
		Frontier AI: capabilities and risks	
		Trends in Digital Markets: a CMA horizon scanning report	
	2024	International Scientific Report on the Safety of Advanced AI	

¹¹ GOV.UK (2025). Competition and markets authority.
<https://www.gov.uk/government/organisations/competition-and-markets-authority>

Country	Year	Study	Focus area
Germany ¹²	2019	Algorithms and Competition	
	2021	Digital Markets Act: Perspectives in (inter)national competition law	
	2022	Merger control in the digital age	
United States ¹³	2020	A Brief Primer on the Economics of Targeted Advertising	Digital advertising
		Social Media Bots and Advertising: FTC Report to Congress	
	2022	Combatting Online Harms Through Innovation	General digital economy
	2023	Protecting Kids from Stealth Advertising in Digital Media: A FTC Staff Perspective	Digital advertising
		Generative Artificial Intelligence and the Creative Economy Staff Report: Perspectives and Takeaways	General digital economy
	2024	A Look Behind the Screens: Examining the Data Practices of Social Media and Video Streaming Services	Data
		Tech Summit on Artificial Intelligence: Consumer Facing Applications	General digital economy
Australia ¹⁴	2021	Digital Advertising Services Inquiry	Digital advertising
European Union ¹⁵	2019	Competition issues in the area of Financial Technology (FinTech)	Financial technology
		Competition policy for the digital era	Digital economy regulation

¹² Bundeskartellamt (2025). Publication & Markets Authority. https://www.bundeskartellamt.de/EN/Home/home_node.html

¹³ FTC (2025). Reports. <https://www.ftc.gov/>

¹⁴ ACCC (2025). Publications. <https://www.accc.gov.au>

¹⁵ EU (2025). Competition Policy. https://competition-policy.ec.europa.eu/index_en

Country	Year	Study	Focus area
	2020	Opportunities of artificial intelligence	Artificial intelligence
	2021	Digital Markets Act in the making	Digital economy regulation
		The Digital Services Act and the Digital Markets Act	
		The EU digital markets act	
	2022	Merger review in digital and technology markets	General digital economy
		Digital Services Act & Digital Markets Act	Digital economy regulation
		Merger enforcement in digital and tech markets	

Source: European Union, JFTC, Gov.UK, Bundeskartellamt, FTC, ACCC, EU

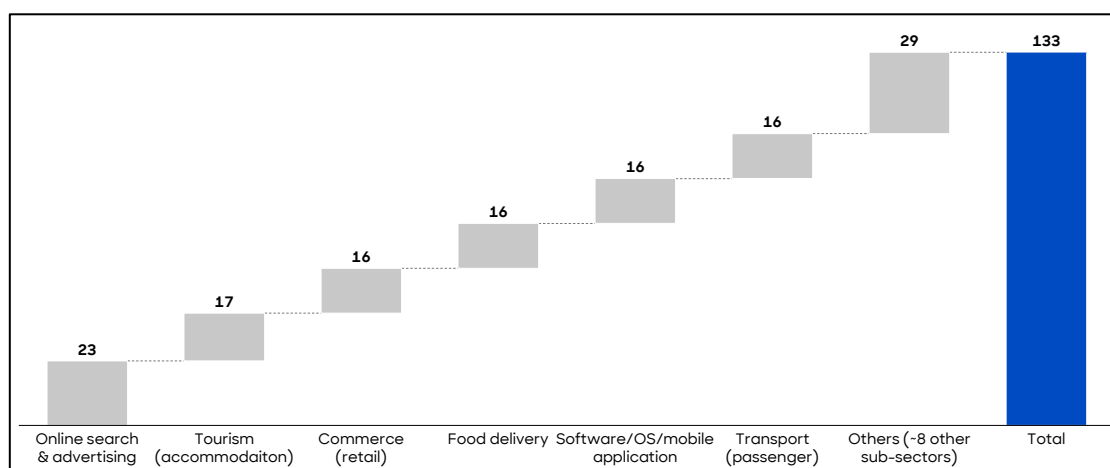
Studies published by various competition authorities in key economies since 2019 - including the Japan Fair Trade Commission (JFTC), Competition Commission of India (CCI), Competition and Markets Authority (CMA - UK), Federal Cartel Office (FCO - Germany), and Federal Trade Commission (FTC - U.S.), Competition and Consumer Commission of Singapore (CCCS), Australian Competition & Consumer Commission (ACCC) and European Commission (EC) - indicated the four sub-sectors of this study as focus. Below are the emphasis of the studies:

- Comprehensive analysis of the sub-sectors (e.g., Mobile OS, E-commerce, Digital advertising, OTA, Data Privacy and Protection);
- Examination of consumer behaviour, market practices, and supply chain developments;
- Discussion of global issues related to competition, market dynamics, and regulatory frameworks;
- Analysis of data utilisation by market players and interventions by competition authorities, and

- Consideration of any other pertinent matters that could further enhance this market review.

2.6.2 Alignment with key digital economy anti-competition cases

Figure 1: Anti-competitive cases by sub-sectors in the digital economy sector worldwide, 2006-2022 [# of cases]¹⁶



Source: World Bank

The selected sub-sectors are also based on the volume of anti-competitive cases observed globally. According to the World Bank Group's Global Markets Competition and Technology Digital Antitrust Database, from 2006 to 2022, the top sub-sectors with the most anti-competition cases were primarily related to online search and advertising, tourism (accommodation), e-commerce, food delivery, software/OS/mobile applications and transport.

Recent notable cases include the abuse of dominance ruling against Yandex in Russia for self-preferencing its own products in online search results¹⁷, Japan's antitrust case against Booking.com over price parity

¹⁶ World Bank Group (2025). The Global Markets Competition and Technology Digital Antitrust Database. <https://dataviz.worldbank.org/views/Global-Digital-Antitrust-Database/Overview?%3Aembed=y&%3AisGuestRedirectFromVizportal=y>

¹⁷ Global Competition Review (2021). Russia probes Yandex over self-preferencing concerns. <https://globalcompetitionreview.com/article/russia-probes-yandex-over-self-preferencing-concerns>

clauses in hotel contracts¹⁸, South Korea's investigation of Naver for self-preferencing its own online shopping site¹⁹, and China's case against Alibaba for exclusive dealing practices²⁰.

Food delivery and transport sub-sectors are excluded from this market review as MyCC has previously undertaken initiatives on food delivery and conducted a market review on transportation in 2021. Further details on these prior undertakings and reviews conducted can be found on MyCC's [website](#).

2.7 Limitation of the study

- The conclusions, analysis, and recommendations in this report are derived from both primary and secondary sources. While effort has been made to ensure the completeness and accuracy of the information, it is important to note that the information may be influenced by the respondents' knowledge or willingness to disclose details, as well as potential unintentional errors or gaps from the publishers.
- This market review will consist of confidential and non-confidential versions. The non-confidential report will only utilise publicly available information, and any data involving numbers will be aggregated. Any confidential information shared by both private and publicly listed companies²¹ is considered sensitive and competitive in nature. Such information will be exclusively retained for MyCC's internal use to

¹⁸ Lexology (2023). Spotlight: restrictive agreements and dominance in Japan. <https://www.lexology.com/library/detail.aspx?g=ed6bc6bc-a67c-4287-97f0-187c3215394d>

¹⁹ KFTC (2020). KFTC imposes corrective measures on Naver for favoring its own real-estate search, shopping, and video services over competitors. <https://www.ftc.go.kr/eng/downloadBbsFile.do?atchmnfNo=17327>

²⁰ SAMR (2021). The State Administration for Market Regulation issued the administrative penalty decision and administrative guidance letter in the monopoly case of Alibaba Group Holding Limited in the online retail platform services market within China. https://www.samr.gov.cn/cms_files/filemanager/samr/www/samrnew/fldes/tzgg/xzcf/202204/t20220424_341930.html

²¹ Unless the information is disclosed in the companies' public documents (e.g., annual reports).

protect the data provided by key stakeholders while allowing the MyCC to conduct a comprehensive and thorough analysis.

- Additionally, given that data availability for certain sub-sectors varies depending on the level of confidentiality of the data retrieved from market participants, the coverage in the sections of market structure and supply chain, and key players and level of competition may vary across sub-sectors.
- This study is aimed at understanding the current state of the market, including prevalent practices, issues, and potential concerns related to competition, market structure, and regulation. Given the continuously changing nature of these sub-sectors, it is challenging to comprehensively identify every issue along the supply chain.
- The report's highlighted issues are based on observations and inputs gathered through primary and secondary research. Since much of the information required to substantiate these findings is sensitive, often requiring access and disclosure of internal company documents and transparency from the companies involved a more thorough examination (if required) is thus necessary in order to validate any claims of anti-competitive behaviour.

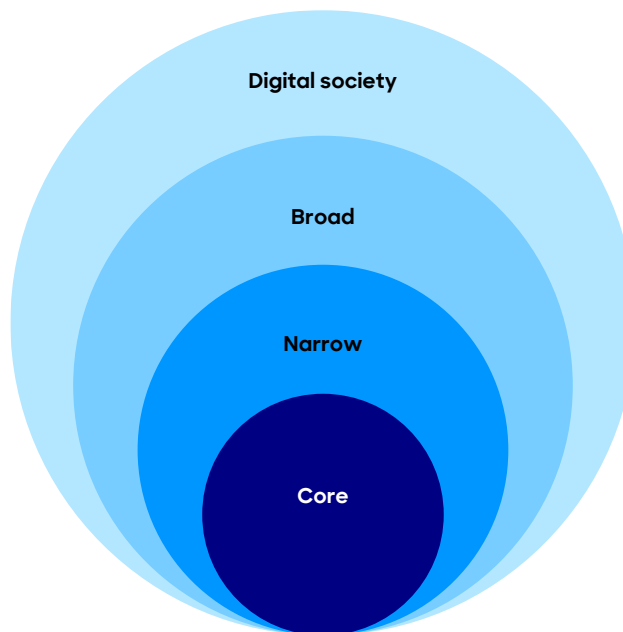
Despite these limitations and the acknowledgment of the dynamic nature of the market, the MyCC remains resolutely committed to further developing the study through continuous, rigorous, and thorough analysis. This aligns with the initial objective of conducting a comprehensive study and assures stakeholders of the MyCC's unwavering competence in market oversight.

3. Overview of digital economy

3.1 Digital economy in a global context

Digital economy refers to a broad spectrum of activities that are primarily driven by the use of digitised technologies. A crucial sector within an economy, the digital economy plays a key role in transforming industries, enhancing productivity, and driving economic growth. By adopting digital technologies such as artificial intelligence (AI), cloud computing, and big data analytics, businesses can streamline operations, lower costs, and develop new products and services. The digital economy also facilitates global trade and expands access to services, especially in emerging markets. Additionally, it supports job creation, skill development, and enhances global competitiveness.

Figure 2: Layers of the digital economy



Source: OECD

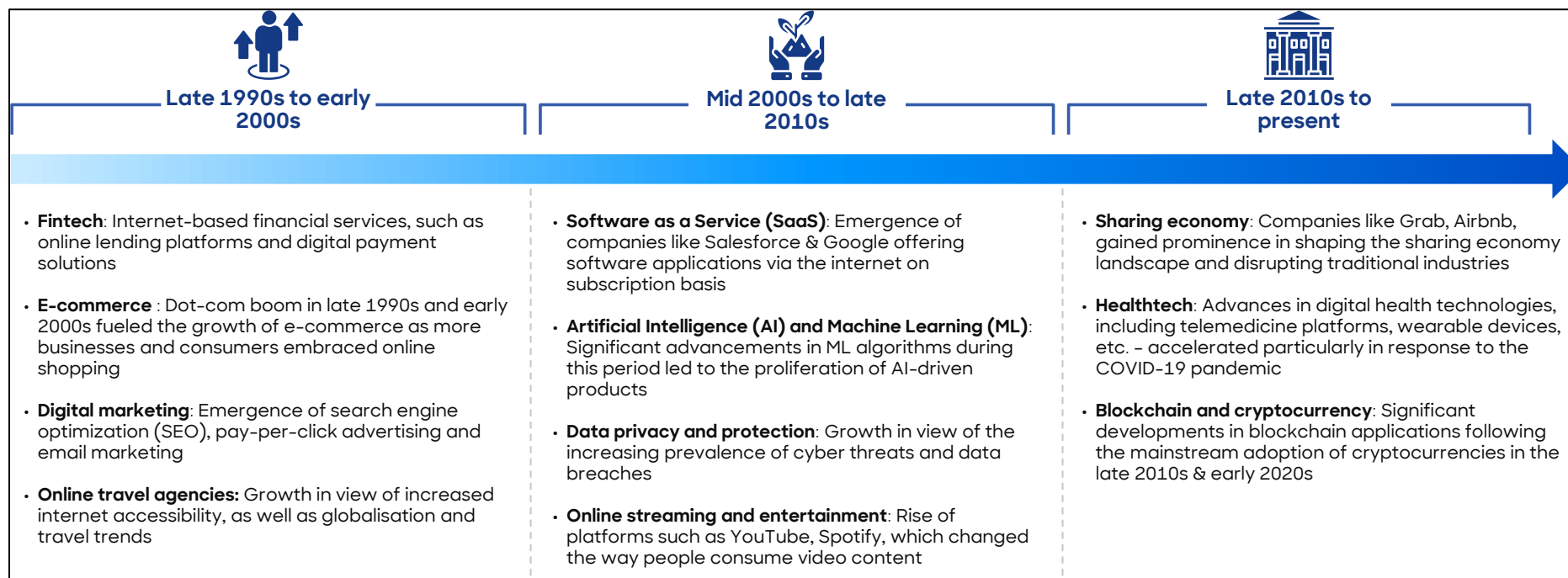
According to the Supporting the Digital Transformation of Higher Education in Hungary, published by the Organisation for Economic Co-

operation and Development (OECD), the digital economy is divided into four key layers²²:

- (a) **Core measurement:** Includes all economic activities linked to the production of Information and Communication Technology (ICT) goods and digital services.
- (b) **Narrow measurement:** Expands on the core measurement by encompassing businesses that rely entirely on digital technologies and data to operate. These organisations do not directly produce ICT goods or services, but their operations are heavily dependent on them.
- (c) **Broad measurement:** Further extends to include all sectors where digital technologies and data significantly enhance the production processes, even if they do not rely on them exclusively.
- (d) **Digital Society:** Refers to the non-commercial use of digital activities by individuals in a society, involving activities like social media interaction, personal data use, and digital communication that are not conducted for profit but influence social dynamics and everyday life.

²² OECD (2021). Supporting the digital transformation of higher education in Hungary. https://www.oecd.org/en/publications/supporting-the-digital-transformation-of-higher-education-in-hungary_d30ab43f-en.html

Figure 3: Key digital economy industries from 1990s to present



Source: Secondary research and MyCC analysis

The digital economy is an ever-evolving sector, constantly adapting and expanding in response to technological advances and shifting societal needs. The rise of the digital economy began in the early 1980s with the creation of the internet, which initially offered basic online services like email and internet access. Early platforms such as Compuserve²³ and Prodigy²⁴ provided basic digital communication but were not widely accessible. A significant turning point came in the early 1990s with the advent of the World Wide Web²⁵, which made it easier for individuals to share content online, sparking a surge in website creation and digital resources.

As internet usage increased, the “dot-com boom” ushered in a new era for key industries. This period saw the rise of e-commerce, with major players like Amazon and Alibaba emerging, alongside the growth of financial technology (fintech) as online payment solutions (e.g., Paypal in 1998) became essential. Digital marketing (e.g., Yahoo! in 1994, Google in 1998) also gained traction as businesses sought to reach consumers online. Furthermore, online travel agencies (e.g., Priceline in 1997, Expedia in 1996) transformed the travel industry by making bookings more accessible²⁶.

This period culminated in the dot-com (stock market) bubble in the year 2000, which resulted in the failure of many companies, including but not limited to Pets.com (pet supply), Webvan.com (grocery delivery) and eToys (toys)²⁷. Despite this, the boom laid the groundwork for future advancements in the digital economy and at the same time, also led to the increase in regulation and scrutiny of the industry.

²³ Wired (2009). Sept. 24, 1979: First online service for consumers debuts. <https://www.wired.com/2009/09/0924compuserve-launches/>

²⁴ The Atlantic (2014). Where online services go when they die. <https://www.theatlantic.com/technology/archive/2014/07/where-online-services-go-when-they-die/374099/>

²⁵ CERN (2025). A short history of the web. <https://home.cern/science/computing/birth-web/short-history-web>

²⁶ Medium (2023). A journey through time: looking back at the dot com bubble and early internet companies. <https://medium.com/@sikanderfraz72/a-journey-through-time-looking-back-at-the-dot-com-bubble-and-early-internet-companies-c937d5d1cba2>; Skift (2025). The definitive oral history of online travel. <https://skift.com/history-of-online-travel/>

²⁷ CNN Money (2010). 10 big dot.com flops. https://money.cnn.com/galleries/2010/technology/1003/gallery.dot_com_busts/2.html

The mid-2000s to late 2010s marked another transformative phase in the digital economy. Software as a Service (SaaS) became increasingly popular, enabling businesses to access applications via cloud. This era also witnessed the rise of artificial intelligence (AI) and machine learning (ML), which allowed companies to harness big data for personalised customer experiences. With this, the importance of data privacy and protection grew, leading to regulatory developments. Additionally, online streaming and entertainment services gained prominence, changing how consumers accessed media.

From the late 2010s to the present, the sharing economy has taken centre stage, driven by the proliferation of smartphones and mobile applications. Platforms like Airbnb and Grab connected users directly, enabling individuals to monetise underutilised assets such as spare rooms and vehicles. Healthcare technology also emerged as a key industry, focusing on telehealth and digital health solutions. Meanwhile, blockchain technology and cryptocurrencies gained traction, introducing new paradigms in finance and data security.

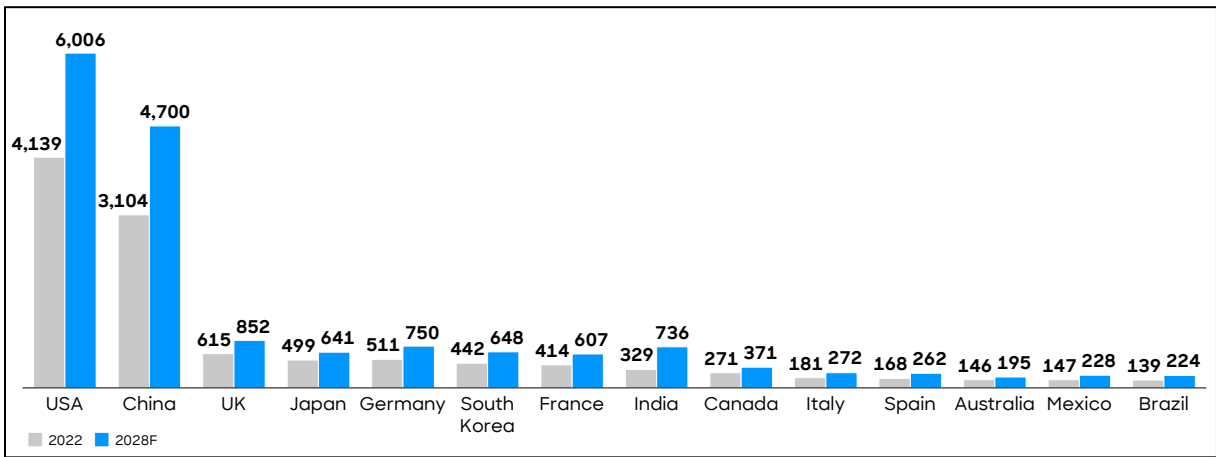
Today, the digital economy is characterised by ongoing digital transformation across various sectors, enhancing efficiency and customer engagement. The Coronavirus Disease (COVID)-19 pandemic further accelerated the adoption of remote work and digital collaboration tools, reshaping workplace dynamics. However, as the digital economy continues to grow, concerns around two aspects, data privacy and data protection, are also becoming more prominent. This is especially the case, considering growing cybersecurity, data breach, and monopolistic practice issues in the digital economy, all of which leads to increased regulatory scrutiny, signalling a new chapter in the evolution of the digital landscape.

3.2 **Size of the global digital economy**

As of 2022, the global digital economy was valued at USD 11.1 trillion, with an anticipated annual growth rate of 10.4%. By 2028, this figure is projected to reach approximately USD 16.5 trillion²⁸.

Technology spending plays a central role in the digital economies of many countries. South Korea, for example, stands out for its significant spending on research and development (R&D), with a strong focus on areas such as AI, semiconductors, Fifth Generation (5G) and Sixth Generation (6G) networks, quantum computing, the metaverse, and cybersecurity.

Figure 4: Selected key economies projected digital economy growth, 2022 & 2028F [USD billion]



Source: Forrester Research

In contrast, countries such as India and Mexico’s digital economies are primarily driven by exports of ICT products and services. India, for example, contributed USD 257 billion to the global digital economy in 2023 ²⁹, representing 4.4% of the world’s total exports of digitally delivered services. Meanwhile, Mexico, is the largest exporter of technology-related products

²⁸ Forrester (2024). The global digital economy will reach \$16.5 trillion and capture 17% of global GDP by 2028. <https://www.forrester.com/blogs/the-global-digital-economy-will-reach-16-5-trillion-and-capture-17-of-global-gdp-by-2028/>

²⁹ International Trade Administration (2023). Mexico - country commercial guide. <https://www.trade.gov/country-commercial-guides/mexico-advanced-manufacturing>

and services in Latin America, with key exports including satellites, computers, and automation-focused robotics³⁰.

3.3 Leaders in the digital economy

The United States (U.S.) and China lead the expansion of the global digital economy, together accounting for roughly two-thirds of the sector.

The U.S. digital economy's strength lies primarily in digitally delivered services, which comprised about a quarter of its total exports in 2022. Telecommunications, computer services and software licensing are key contributors. These services not only boost the country's economic output but also solidify its position as a technological innovator.

Overall tech dominance also resides in the U.S., where it is home to the world's largest tech companies by market capitalisation, such as Microsoft, Apple, NVIDIA, Alphabet, etc.

China, as the second-largest digital economy, has made significant strides, especially in 5G infrastructure. Between 2022 to September 2024, it built a network of four million 5G base stations, up from one million in 2022³¹. This rapid expansion has led to a substantial increase in 5G mobile subscribers, reaching 966 million by September 2024. Additionally, China dominates digital payments, with apps like WeChat Pay and Alipay integrated into daily life and business.

Furthermore, the country's intelligent manufacturing equipment industry is valued at over USD 450 billion and continues to innovate to maintain its position as the world's top manufacturer³². It has more than 420 national-

³⁰ WTO (2024). Global trade outlook and statistics. https://www.wto.org/english/res_e/publications_e/trade_outlook24_e.htm

³¹ State Council of the People's Republic of China (2024). China home to 4 million 5G base stations. https://english.www.gov.cn/archive/statistics/202409/25/content_WS66f40117c6d0868f4e8eb416.html

³² World Bank Group (2025). Manufacturing, value added (current US\$). <https://data.worldbank.org/indicator/NV.IND.MANF.CD>

level demonstration factories, with AI and digital twins being applied in more than 90% of the factories³³.

According to the China Academy of Information and Communications Technology, to-date, the digital economy in the country is estimated to represent 41.5% of the country's GDP³⁴.

3.4 Trends impacting the development of digital economy

3.4.1 Digital economy as a flashpoint for geopolitics

Beyond its obvious economic impact, the digital economy is emerging as a key geopolitical tool, with many countries leveraging it to gain strategic advantages. For example, in March 2025 in India, the government decided to scrap its 6% tax on online services, including digital advertising, in an effort to ease trade tensions with the United States. Introduced in 2016, the tax targeted cross-border digital advertising transactions by non-resident platforms that earned revenue from Indian advertisers, even without a physical presence in the country³⁵.

Meanwhile, the EU in April 2025 fined Apple and Meta for a combined value of EUR 700 m for violations of digital market rules. This is despite warnings from the U.S. government about potential retaliation against any fines imposed on American firms³⁶.

However, the most significant flashpoint in this evolving digital landscape is the competition between the U.S. and China. As the two largest digital

³³ The State Council of the People's Republic of China (2024). Digital economy expands in scale, demonstrating enormous potential. https://english.www.gov.cn/archive/statistics/202405/26/content_WS6653223bc6d0868f4e8e77a9.html

³⁴ The State Council of The People's Republic of China (2023). Digital sector roadmap to aid recovery. https://english.www.gov.cn/news/202312/09/content_WS6573d73dc6d0868f4e8e204a.html

³⁵ Reuters (2025). India to scrap digital ad tax, easing US concerns. <https://www.reuters.com/world/india/india-proposes-remove-equalisation-levy-digital-services-government-source-says-2025-03-25/>

³⁶ Fox Business (2025). EU hands Apple, Meta massive fines despite warnings from Trump. <https://www.foxbusiness.com/media/eu-hands-apple-meta-massive-fines-despite-warnings-from-trump>

economies, their rivalry has significant implications for global power dynamics and international relations.

At the heart of the competition between the two countries lies the bifurcation of the global digital ecosystem and the push for technology dominance. Each nation has developed its own technological infrastructure and set of dominant players. On the U.S. side, companies such as Google, Meta, and Apple lead the way in software, services, and platforms. Similarly, China's ecosystem is dominated by tech giants like Alibaba, Tencent, Baidu, and Huawei. This division has led to a growing fragmentation of global technology markets, with competing standards in areas such as 5G networks, cloud computing, and digital applications.

For example, in the telecommunications sector, 5G infrastructure in the U.S. is largely built by companies like Verizon and AT&T and partners such as Nokia and Ericsson, while Huawei and Zhongxing Telecommunication Equipment (ZTE) control the Chinese market. Similarly, popular global platforms such as TikTok, which originated in China, face potential bans or heavy scrutiny in multiple countries due to national security concerns. This rivalry has contributed to the emergence of two distinct digital spheres, with varying levels of access to platforms, apps, and services depending on geographical region.

Data security and privacy concerns have further exacerbated these tensions. The U.S. government has cited potential threats posed by Chinese tech firms (e.g., TikTok, China Mobile) to national security³⁷. This has led to increased scrutiny and restrictions on Chinese applications and platforms.

Such rivalry has significant implications for Malaysia, as both countries are major investors in the nation. This is particularly the case in ICT manufacturing, where Malaysia has emerged as one of the key destinations for many global companies' (e.g., Micron, Intel) China Plus One (C+1) strategy, where they seek to diversify its supply chains in one or more

³⁷ CNN Business (2023). Lawmakers say Tiktok is a national threat, but evidence remains unclear. <https://www.cnn.com/2023/03/21/tech/tiktok-national-security-concerns/index.html> ; Reuters (2024). Exclusive: US probing China telecom, China mobile over internet, cloud risks. <https://www.reuters.com/business/media-telecom/us-probing-china-telecom-china-mobile-over-internet-cloud-risks-2024-06-25/>

additional countries. Additionally, many international tech companies have or planned to set up data centres in the country, including but not limited to NVIDIA, AirTrunk, GDS Holdings, Princeton Digital Group (PDG)³⁸ and ByteDance³⁹.

However, Malaysia's position in the digital economy is dominated by global technological superpowers (the U.S. and China), which requires a careful balancing act. Its close economic ties with China, especially under initiatives like the Belt and Road Initiative (BRI), have opened the door for collaboration on various digital-related projects, including the "Digital Twin Cities"⁴⁰ (2024: collaboration between China's Lingang New Area and Malaysia's Cyberjaya in areas such as data economy, cross-border data flows), Digital Free Trade Zone⁴¹ (2017: establishment of a logistics centre for global marketplaces) and City Brain initiative⁴² (2018: Kuala Lumpur became the first city outside of China to adopt AliCloud's system, allowing real-time data collection and integration of traffic and emergency data from traffic cameras and other sources).

Separately, Malaysia's dependence on the U.S. for technological imports and investment in sectors like cloud computing (commitment by Amazon to invest MYR 29.2 billion to establish Amazon WebServices Asia Pacific⁴³),

³⁸ Channel News Asia (2024). Johor's data centres getting a boost from the Singapore factor; water, power remain bottlenecks. <https://www.channelnewsasia.com/asia/malaysia-johor-data-centres-nvidia-ytl-kulai-sedenak-sez-us-china-trade-war-4310496>

³⁹ Data Centre Dynamics (2024). TikTok owner ByteDance to expand Malaysia data center footprint in \$2.1bn AI deal. <https://www.datacenterdynamics.com/en/news/tiktok-owner-bytedance-to-expand-malaysia-data-center-footprint-in-21bn-ai-deal/>

⁴⁰ China (Shanghai) Pilot Free Trade Zone, Lin-Gang Special Area (2024). Lin-gang special area, Malaysia sign Mou to build 'digital twin cities'. <https://www.lingang.gov.cn/html/website/lg/English/News1630758253379031042/Updates/c1810961039432421377.html>

⁴¹ The Straits Times (2017). Malaysia and Alibaba launch regional logistics hub. <https://www.straitstimes.com/asia/se-asia/alibaba-launches-electronic-trading-hub-in-malaysia>

⁴² Alibaba Cloud (2018). Alibaba Cloud launches Malaysia City Brain to enhance city management. https://www.alibabacloud.com/en/press-room/alibaba-cloud-launches-malaysia-city-brain-to-enhance-city-management?_p_lc=1

⁴³ Amazon (2024). AWS launches Malaysia's first cloud infrastructure region. <https://www.aboutamazon.sg/news/aws/aws-launches-malysias-first-cloud-infrastructure-region>

software and enterprise and cybersecurity solutions, underscores the country's delicate positioning in the wider tech geopolitical competition.

3.4.2 Emphasis on data

Data is increasingly recognised as a critical driver of economic growth and innovation, particularly within the digital economy. The ability to collect, analyse, and leverage vast amounts of data enables organisations to make more informed decisions, improve efficiency, and develop new products and services that meet the evolving needs of consumers. In advanced areas like AI and ML, data is being harnessed across to learn, adapt, and make predictive analyses.

In view of this, many countries are implementing policies to leverage data for economic development and influence in the global digital economy. A prime example is China, where in 2020, it formally recognised data as the fifth factor of production, alongside land, labour, capital, and technology⁴⁴. This showcases a shift in how China views data not just as a resource, but as an essential component of its economic future. Separately, United Arab Emirates (UAE) “Dubai Data” is an example of an initiative by the local government aimed at creating a seamless sharing of data citywide to enable the powering of smart cities, resolving business problems and improving residents’ quality of life⁴⁵.

With data becoming a critical economic resource, many countries are focusing on data sovereignty which is the concept of regulating data within national borders. Governments are increasingly concerned with controlling their citizens' data and preventing foreign entities from accessing it. For instance, the European Union (EU) has established a comprehensive data protection framework through the General Data Protection Regulation (GDPR), enacted in 2018. It sets strict guidelines on how personal data, especially from EU citizens, can be collected, processed, and stored. It requires companies to obtain consent before collecting data, mandates transparency in data usage, and gives

⁴⁴ Stanford University, DigiChina (2022). China wants to put data to work as an economic resource - but how? <https://digichina.stanford.edu/work/china-wants-to-put-data-to-work-as-an-economic-resource-but-how/>

⁴⁵ Digital Dubai (2025). Initiatives. <https://www.digitaldubai.ae>

individuals the right to access or delete their data. While focused on privacy, the GDPR reflects the EU's approach to controlling data generated within its borders⁴⁶. In China, the Cybersecurity Law (2017) requires that data generated in China be stored domestically and restricts the transfer of sensitive data abroad⁴⁷. This regulation ensures that China can manage the data produced within its borders and prevent foreign access to certain types of data.

3.4.3 Digitalisation in government, business and consumers

The growing digitalisation of governments, businesses, and consumers is a key driver of the global digital economy, contributing to increased efficiency, new economic opportunities, and broader market access.

Many governments worldwide are increasingly adopting digital technologies to improve public services, enhance administrative efficiency, and drive economic development. In 2023, Gartner, a technology research company, estimated worldwide government Information Technology (IT) spending would reach USD 589.8 billion, with a growth of 7.6% from 2022. Majority of the spending lies in Information Technology (IT) services (35.5%) and software (31.2%)⁴⁸, with the aim to ensure more effective public services can be delivered.

Digitalisation has become a standard practice for many businesses. According to the International Data Corporation (IDC), global spending on digital transformation across business processes, products, and organisations is projected to reach USD 2.8 trillion by 2025, more than double the amount spent in 2020. In addition to investments in operational digital transformation, customer experience in consumer-oriented sectors

⁴⁶ EU (2016). Regulation (EU) 2016/679 of the European parliament and of the council. <https://eur-lex.europa.eu/eli/reg/2016/679/oj>

⁴⁷ In Country (2024). China's digital data sovereignty laws and regulations. <https://incountry.com/blog/chinas-digital-data-sovereignty-laws-and-regulations/>

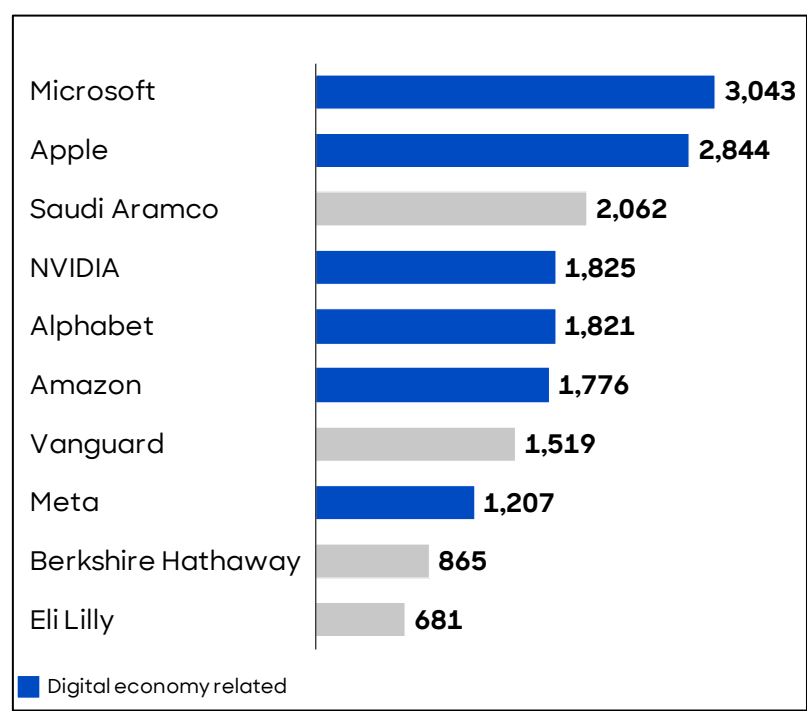
⁴⁸ Gartner (2023). Gartner forecasts worldwide government IT spending to grow 8% in 2023. <https://www.gartner.com/en/newsroom/press-releases/2023-05-24-gartner-forecasts-worldwide-government-it-spending-to-grow-8-percent-in-2023>

such as securities and investment services, banking, and retail are attracting significant investments⁴⁹.

Consumers are also driving the growth of the digital economy. Greater access to the internet and mobile devices has fuelled a rise in online shopping, digital banking, and on-demand services. According to the World Bank, 67.4% of the global population were internet users in 2023, nearly double the 35.4% recorded in 2013⁵⁰. This widespread internet adoption has created a more connected consumer base, increasing demand for digital services across various industries.

3.5 Digital economy and competition

Figure 5: Companies with the largest market capitalisation in the world, as of February 2024 [USD billion]



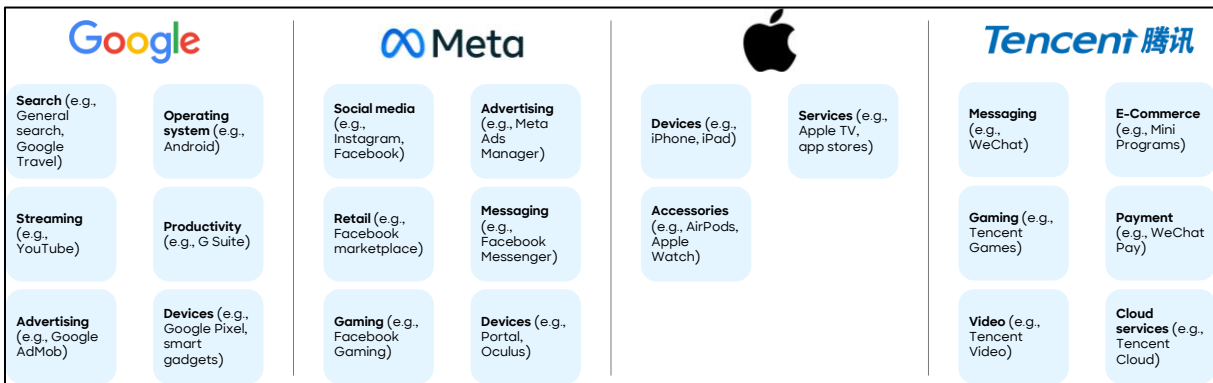
Source: Capital IQ and MyCC analysis

⁴⁹ Business Wire (2021). New IDC spending guide shows continued growth for digital transformation in 2020 as organizations focus on strategic priorities. <https://www.businesswire.com/news/home/20211109006138/en/New-IDC-Spending-Guide-Shows-Continued-Growth-for-Digital-Transformation-in-2020-as-Organizations-Focus-on-Strategic-Priorities>

⁵⁰ World Bank Group (2025). World development indicators. <https://datatopics.worldbank.org/world-development-indicators/>

The digital economy has given rise to numerous companies that now dominate selected industries across the world. Companies like Amazon, Apple, Microsoft, Alphabet (Google), Meta and Alibaba, to name a few, have emerged as leaders in the sector, with their influence extending beyond traditional market boundaries. As of early 2024, many players in digital economy-related industries dominate as the world's largest companies⁵¹.

Figure 6: Selected digital economy players' involvement in different digital economy sub-sectors



Source: Secondary research and MyCC analysis

Many of the major players in the digital economy have expanded their operations across multiple sub-sectors by leveraging their core technological strengths and vast data capabilities. For instance, Alphabet Inc. (Google), originally a search engine company, has leveraged its ability to process and analyse mass amounts of data to diversify into areas such as Google Ads, allowing them to deliver targeted ads based on user interests and search history. Additionally, its core strength helps build a foundation for branching into online travel. Through Google Hotel, a search service which allows users to search for hotels to find a place to stay, or to discover information about a specific hotel. Further utilising its search capabilities to aggregates information from various sources to provide a comprehensive view of accommodation options⁵². This effectively turned

⁵¹ Data extracted from Capital IQ as of February 2024
⁵² Written input from key players.

Google into a metasearch engine for the travel industry, allowing users to compare prices, explore options, and make bookings⁵³.

For Meta, it began as a social media platform with Facebook in 2004, with a core strength in connecting people and sharing content. The platform's rise was driven by its ability to capture vast amounts of data on user behaviour, interests, and interactions. Utilising these data provided Meta with the insights to offer targeted advertising, turning Facebook into a digital advertising player. Its acquisition of Instagram in 2012 and WhatsApp in 2014 further expanded its reach and user base, allowing Meta to strengthen its social media and messaging capabilities⁵⁴.

Apple's emphasis on seamless integration of hardware and software as its core has been central to its expansion into new areas. For instance, iOS, the mobile OS, powers Apple's iPhones and iPads. It also capitalised on its OS integration by creating the App Store in 2008 by providing a controlled marketplace for apps, allowing app developers to reach its users while also generating revenue from app sales and IAP⁵⁵.

Tencent started in 1998 as a simple messaging platform called QQ in China. However, it quickly evolved into a vast digital ecosystem spanning multiple sectors, including social media, gaming, fintech, cloud computing, and AI. In particular, drawing on its messaging expertise, Tencent developed WeChat, an all-in-one app that enabled it to expand into diverse areas such as fintech (WeChat Wallet and WeChat Pay), e-commerce (Mini Programs), and entertainment (Tencent Games), among others⁵⁶.

As the digital economy continues to expand, concerns regarding anti-competitive practices, data privacy, and data protection are becoming increasingly prominent. The rapid growth of major tech players and digital platforms has raised alarms about the impact of their market dominance and business practices on competition and consumer rights.

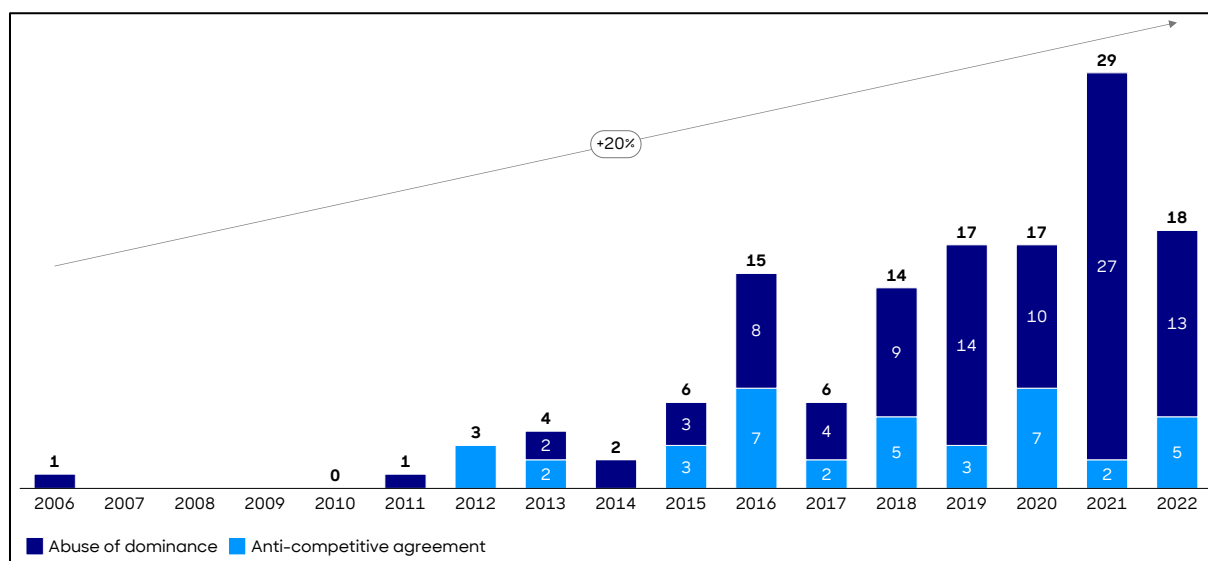
⁵³ Google (2025). From the garage to the Googleplex. <https://about.google/our-story/>

⁵⁴ Meta (2025). Company information. <https://about.meta.com/company-info/>

⁵⁵ PBS News (2023). A timeline of Apple's most influential product announcements. <https://www.pbs.org/newshour/science/a-timeline-of-apples-most-influential-product-announcements>

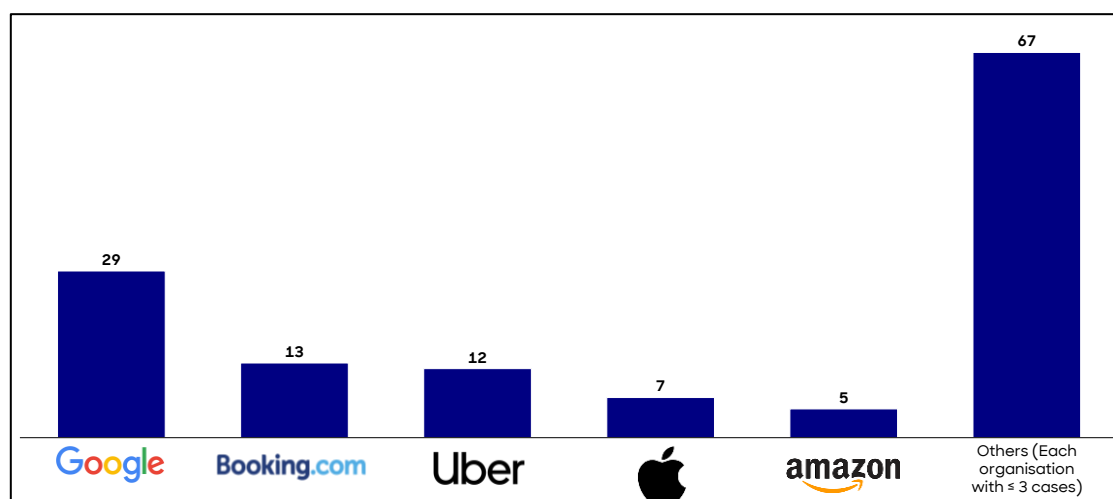
⁵⁶ Tencent (2025). About us. <https://www.tencent.com/en-us/about.html>

Figure 7: Anti-competitive cases by types of infringement in the digital economy sector worldwide, 2006-2022 [# of cases]⁵⁷



Source: World Bank

Figure 8: Anti-competitive cases by companies in the digital economy sector worldwide, 2006-2022 [# of cases]⁵⁸



Source: World Bank

⁵⁷ World Bank Group (2025). The Global Markets Competition and Technology Digital Antitrust Database (2006-2022). <https://dataviz.worldbank.org/views/Global-Digital-Antitrust-Database/Overview?%3Aembed=y&%3AisGuestRedirectFromVizportal=y>

⁵⁸ World Bank Group (2025). The Global Markets Competition and Technology Digital Antitrust Database (2006-2022). <https://dataviz.worldbank.org/views/Global-Digital-Antitrust-Database/Overview?%3Aembed=y&%3AisGuestRedirectFromVizportal=y>

Between 2006 and 2022, the number of anti-competitive cases experienced a compound annual growth rate (CAGR) of 20%. Notably, digital giants such as Google, Booking, Uber, Apple and Amazon account for a significant share of anti-competitive cases during this period⁵⁹. This growing trend indicates a key concern: as the digital economy continues to evolve, the frequency of anti-competitive cases is likely to increase in the future.

With the expansion of digital platforms across various industries, it is expected that these practices could further disrupt competition, potentially harming consumers and smaller businesses.

Several high-profile cases underscored the rise of anti-competitive conduct within the digital economy:

⁵⁹ World Bank Group (2025). The Global Markets Competition and Technology Digital Antitrust Database (2006-2022). <https://dataviz.worldbank.org/views/Global-Digital-Antitrust-Database/Overview?%3Aembed=y&%3AisGuestRedirectFromVizportal=y>

Table 5: Selected⁶⁰ global anti-competitive cases related to the digital economy:

Year	Parties	Type of conduct	Case details
2012	U.S. Department of Justice (DOJ) and Apple with various publishers	Anti-competitive agreement (vertical restraints)	The U.S. DOJ charged Apple and five major book publishers Hachette, HarperCollins, Simon & Schuster, Macmillan, and Penguin Group over a conspiracy to fix e-book prices. Before Apple entered the e-book market, publishers used wholesale contracts, letting retailers like Amazon set steeply discounted prices, which publishers feared undermined their business model. In response, Apple and the publishers allegedly shifted to agency agreements, giving publishers control over retail pricing and limiting retailers' ability to discounts, thereby raising e-book prices across the market. Apple also negotiated a deal taking a 30% commission on e-book sales and included a "Most Favoured Nation" (MFN) clause to ensure that no other retailer could offer lower prices than Apple. In 2016, the U.S. Supreme Court declined to review an appeals court decision affirming that Apple conspired with five major publishers to fix e-book prices. This decision made final the lower court rulings that Apple orchestrated a price-fixing conspiracy, which led to higher e-book prices for consumers. As a result, Apple agreed to pay USD 400 million to e-book purchasers, bringing the total recovery for

⁶⁰ Selected based on the size of the fine.

Year	Parties	Type of conduct	Case details
			consumers to USD 565 million when combined with settlements from the publishers ⁶¹ .
2013	EC and Microsoft	Abuse of dominance (illegal tying)	The EC imposed a EUR 561 million fine on Microsoft for failing to comply with its commitment to provide Window users with a browser choice screen. The EC had initially raised concerns over Microsoft's practice of tying Internet Explorer to the Windows operating system, which was installed on the majority of PCs worldwide, effectively giving Internet Explorer an unfair distribution advantage. Despite undertaking in 2009 to display a screen offering alternatives such as Google Chrome and Mozilla Firefox until 2014, Microsoft omitted it between May 2011 and July 2012, allegedly affecting up to 15 million EU users. The EC viewed this oversight as a serious infringement of competition law because it perpetuated Microsoft's dominant position in the browser market, depriving consumers of a straightforward method to select alternative browsers and thereby limiting genuine market competition⁶².

⁶¹ Archives, US Department of Justice (2016). Supreme Court rejects Apple's request to review E-books antitrust conspiracy findings. <https://www.justice.gov/archives/opa/pr/supreme-court-rejects-apples-request-review-e-books-antitrust-conspiracy-findings>

⁶² The Guardian (2013). Microsoft fined €561m for browser choice' error. <https://www.theguardian.com/technology/2013/mar/06/microsoft-fined-browser-error#:~:text=Microsoft%20has%20been%20fined%20%E2%82%AC,it%20had%20made%20in%202009.>

Year	Parties	Type of conduct	Case details
2018	EC and Google (Android)	Abuse of dominance (illegal tying)	The EC fined Google EUR 4.34 billion for abusing its dominant position in the mobile operating system market. Google required Android device manufacturers to pre-install its search engine and Chrome browser to access the Google Play Store. Additionally, Google prevented manufacturers from selling devices with alternative versions of Android and offered financial incentives to pre-install only Google's search service. These practices violated EU antitrust laws, as they limited consumer choice and hindered competition. In 2022, the General Court largely upheld this decision, slightly reducing the fine to EUR 4.12 billion ⁶³ .
2020	Autorité de la concurrence / French competition authority (FCA) and Google	Abuse of dominance (self-preferencing, unfair trading conditions)	FCA fined Google up to EUR 500 million for failing to comply with several injunctions issued in April 2020 regarding its obligations under the law on related rights for press publishers and agencies. Specifically, the authority found that Google's negotiations with publishers and agencies were not conducted in good faith, as Google insisted on including a new service, Publisher Curated News, in the negotiations, effectively preventing discussions on the remuneration for existing content usage.

⁶³ Court of Justice of The European Union (2022). The general court largely confirms the Commission's decision that Google imposed unlawful restrictions on manufacturers of Android mobile devices and mobile network operators in order to consolidate the dominant position of its search engine. <https://curia.europa.eu/jcms/upload/docs/application/pdf/2022-09/cp220147en.pdf>

Year	Parties	Type of conduct	Case details
			Additionally, Google limited the scope of the negotiations by excluding certain content, such as press agency photos, and did not provide the information needed for fair negotiations. By restricting meaningful discussion of compensation and narrowing the scope of talks, Google's approach ultimately undermined competition and reinforced its dominant market position ⁶⁴ .
2021	Autorità Garante della Concorrenza e del Mercato (AGCM) or Italian Competition Authority (ICA) and Amazon	Abuse of dominance (self-preferencing)	ICA imposed a fine of EUR 1.13 billion on Amazon for abusing its dominant market position for intermediation services on marketplaces. The ICA concluded that Amazon tied key benefits, such as the Prime label and access to major shopping events, exclusively to its Fulfillment by Amazon (FBA), thereby pressuring third-party sellers to adopt its logistics services. This practice restricted competition by disadvantaging competing logistics operators, who could not offer comparable visibility or sales benefits, and discouraged sellers from listing on other marketplaces ⁶⁵ .

Source: Secondary research

⁶⁴ FCA (2021). Remuneration of related rights for press publishers and agencies: the Autorité fines Google up to 500 million euros for non-compliance with several injunctions. <https://www.autoritedelaconurrence.fr/en/communiqués-de-presse/remuneration-related-rights-press-publishers-and-agencies-autorite-fines>

⁶⁵ ICA (2021). Amazon, press release, case no. A528, 9 December 2021. <https://en.agcm.it/en/mediaépress-releases/2021/12/A528>

As observed in the above cases, anti-competitive practices typically revolve around tying and exclusivity (e.g., EC and Google, ICA and Amazon, EC and Microsoft), abuse of dominance (EC and Google, DOJ and Apple with various publishers), and lack of transparency (FCA and Google), all of which hinder competition by limiting consumer choice, raising barriers to entry, and entrenching the market power of dominant platform. Despite the harm caused by these practices, regulatory authorities face various challenges in effectively enforcing competition laws. Primary obstacles include:

- (a) Global operations of large technology companies:** The EC's case against Google for Android restrictions underscores the challenges of regulating multinational companies. Google operates globally, and its practices, such as requiring Android device manufacturers to pre-install its search and browser apps, have had an impact on markets around the world, including regions outside the EU. The global nature of its business means that, even though EU regulators imposed a penalty, ensuring compliance across all markets where Google operates remains a complex task. In particular, jurisdictions with less developed regulatory frameworks may face difficulties addressing these practices in the same way, potentially allowing such practices to continue and affecting global competitive conditions.
- (b) Complexity of digital markets:** Many digital platforms operate with complex, opaque and multi-sided business models, making it difficult for regulators to identify and assess anti-competitive behaviour. For example, in the case of the FCA against Google, the web of interconnected services (Search, News, and Discover) and convoluted data flows adds another layer of complexity in determining market boundaries, outcomes and practices. This presents a challenge for regulators in numerous ways including in determine the precise values for digital products and services or in ensuring that any remuneration or conditions imposed by the platform are fair and do not distort competition.
- (c) Uncertainty of harm and consumer benefit:** Digital platforms typically emphasise that their practices benefit consumers

through low prices, innovation, and improved services. However, regulators face challenges in proving that these short-term benefits are outweighed by long-term anti-competitive effects, such as reduced innovation, monopolistic behaviour, or consumer exploitation through data. In the case of the EC's decision against Microsoft, the company defended its actions by pointing to its provision of free internet browsing to consumers. However, the long-term impact appeared to be a lack of competition in the browser market, where Internet Explorer's dominance may have hindered innovation and limited consumer choice, potentially slowing the development of better alternatives.

To address these challenges, various new regulatory frameworks have been introduced. For example, the Digital Markets Act (DMA) in the EU aims to regulate dominant companies in digital markets, ensuring that they operate fairly and do not limit competition through practices such as self-preferencing or restrictive clauses. Similarly, the Digital Services Act (DSA) focuses on increasing transparency and accountability for digital platforms, particularly concerning user content and advertising practices, thus reducing the risk of platforms leveraging their market power in ways that distort competition.

In addition to these regulations, data protection laws such as the GDPR in Europe and similar frameworks in other regions aim to limit how companies can use consumer data to maintain a competitive edge. By granting consumers with greater control over their personal information, these regulations help curb anti-competitive practices driven by data exploitation, such as exclusive access to vast datasets that can further entrench a dominant position.

4. Digital economy in Malaysia

4.1 Definition of digital economy in Malaysia

The digital economy has traditionally been defined as a business and/or government driven sector. According to the OECD, the sector "incorporates all economic activity reliant on, or significantly enhanced by the use of digital inputs, including digital technologies, digital infrastructure, digital services and data⁶⁶".

In Malaysia, the definition of the digital economy is broader. According to the Malaysia Digital Economy Blueprint (MDEB), the sector encompasses "economic and social activities that involve the production and use of digital technology by individuals, businesses and the government.⁶⁷" The definition ensures all parties' interests/activities (including social) are covered and should be addressed in any related-future endeavours.

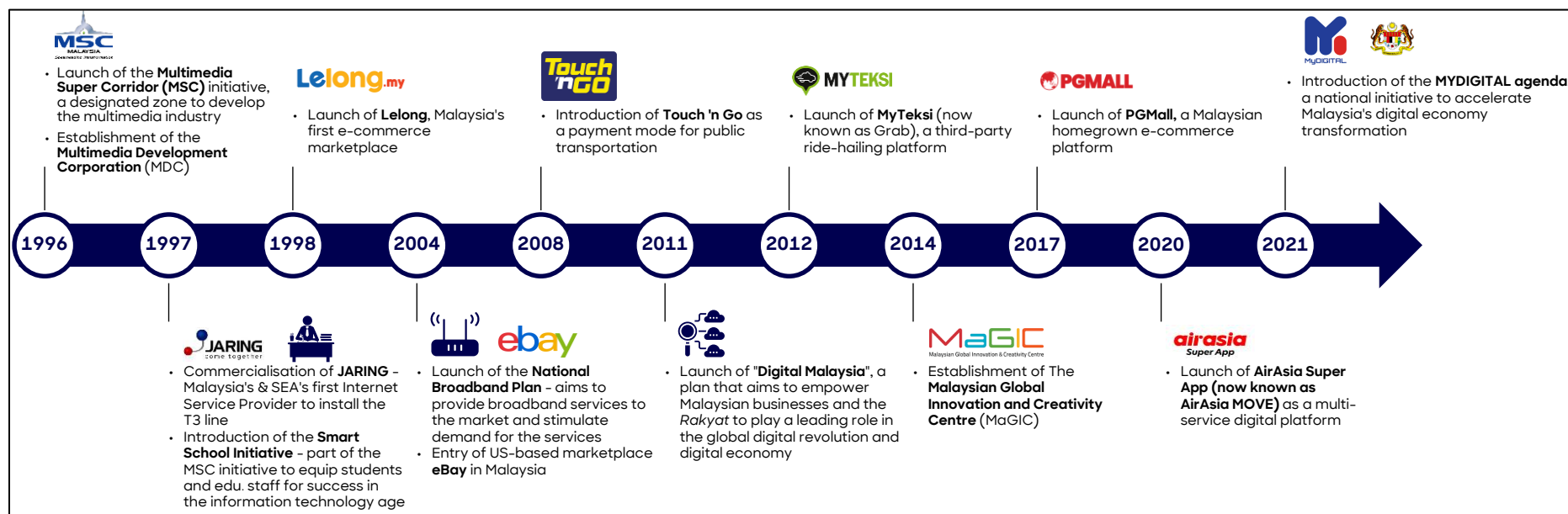
Furthermore, through the inclusion of social activities, it ensures a more comprehensive understanding of how digital technologies impact all aspects of life and can help support more informed decision-making.

⁶⁶ OECD (2021). Digital supply-use tables: A step toward making digital transformation more visible in economic statistics, page 8. https://goingdigital.oecd.org/data/notes/No8_ToolkitNote_DigitalSUTs.pdf

⁶⁷ Ministry of Economy (2025). Malaysia digital economy blueprint. <https://www.ekonomi.gov.my/sites/default/files/2021-02/malaysia-digital-economy-blueprint.pdf>

4.2 Development of digital economy in Malaysia

Figure 9: Selected developments in Malaysia's digital economy sector⁶⁸



Source: Secondary research and MyCC analysis

⁶⁸ Secondary research, MyCC analysis.

Similar to global trends, Malaysia's digital economy journey began in the 1990s, with one of the key initiatives being the launch of the Multimedia Super Corridor (MSC) in 1996⁶⁹ which aimed to foster the development of the multimedia industry and attract investments in technology and digital services. This was subsequently followed by the establishment of Multimedia Development Corporation (MDC) (now known as the Malaysian Digital Economy Corporation - MDEC), which further supported the sector's growth. This era also saw the rise of first internet service providers (ISPs), such as Joint Advanced Research Integrated Networking (JARING), which helped increase internet access for businesses and consumers.

Recognising the significance of technology in education, the government introduced programmes such as the Smart School programme (MSSi). It was one of the seven flagship applications under the MSC, aimed to equip students and educators for the IT age, developing relevant curricula and teaching materials, as well as to foster a knowledge-based economy⁷⁰.

In the 2000s to 2010s, Malaysia made significant strides in its digital economy. The National Broadband Plan of 2004 was launched to enhance internet connectivity nationwide and facilitate broader access to online services. E-commerce platforms, including C2C sites like eBay and Lelong, began gaining traction, while digital payment solutions like Touch 'n Go laid the foundation for cashless transactions.

In 2011, the government introduced the Digital Malaysia initiative that set the stage for Malaysia's goal of becoming a developed digital economy by 2020.

During this period, key global players began to emerge and gain traction. YouTube, launched in 2005, became globally available and widely adopted in Malaysia. This was followed by Facebook in 2006, which transitioned from serving university students to becoming a global social media

⁶⁹ Lexology (2025). Multimedia Super Corridor (MSC) to Malaysia Digital (MD): A revamp of Malaysia's digital economy initiative. <https://www.lexology.com/library/detail.aspx?g=5cb38784-44d8-4f4c-ad96-631ce458630b>

⁷⁰ World Bank Education (2016). Building and sustaining national ICT/education agencies: lessons from Malaysia. <https://openknowledge.worldbank.org/server/api/core/bitstreams/7499a1ce-f135-5334-8c0c-d27071365544/content>

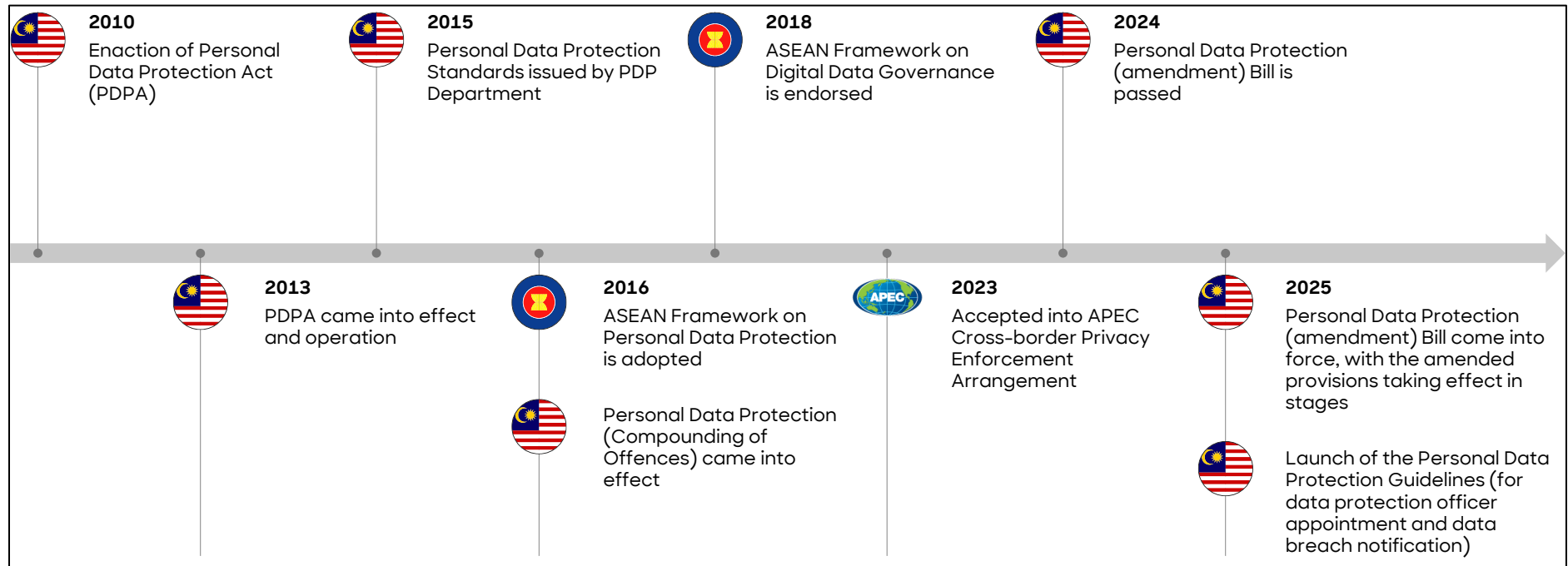
platform. Twitter (now known as “X”) was also launched in the same year. These platforms, along with earlier ones like Friendster and MySpace, shaped digital interaction in Malaysia. The newer platforms gained widespread popularity due to their user-friendly features, global connectivity, and localised content that resonated with Malaysia.

From the 2010s onwards, startups such as MyTeksi (now known as Grab) emerged, shaping the ride-hailing space. During this same period, PGMall was established as a homegrown e-commerce platform, marking Malaysia’s entry into the competitive B2C e-commerce marketplace. Most recently, in 2020, local airline AirAsia launched its Super App, shifting its focus from being an airline-centric company to expanding into broader digital services, such as accommodation, fintech, and gaming⁷¹.

At the same time, the government made various efforts to develop the digital economy sector. In 2014, it established the Malaysian Global Innovation & Creativity Centre (MaGIC), focusing on building a vibrant ecosystem for startups and the digital economy. In 2021, the agency then merged with Technology Park Malaysia Corporation (TPM) under Ministry of Science, Technology and Innovation (MOST)I, introducing a new agency called the Malaysian Research Accelerator for Technology and Innovation (MRANTI). In the same year, MyDIGITAL agenda was introduced and is overseen by MyDIGITAL Corporation, an agency under the Ministry of Digital.

⁷¹ Airasia (2020). Airasia.com is the Asean super app for everyone. <https://newsroom.airasia.com/news/2020/10/8/airasiacom-is-the-asean-super-app-for-everyone>

Figure 10: Timeline of Malaysia's development and participation in data privacy and protection



Source: Secondary research and MyCC analysis

As the digital economy expanded, concerns around protecting and ensuring the privacy of personal data grew. In response, Malaysia enacted the Personal Data Protection Act (PDPA) in 2010, which regulates the processing of personal data in commercial transactions. This regulation applies to any transaction of a commercial nature, even if the data controllers are not listed under the Personal Data Protection (Class of Data Users) Order 2013, which categorises specific types of data users such as banks, insurers, and telecommunication providers⁷². While such data controllers are not required to be registered, they must still adhere to the Act's principles. These include ensuring data is processed lawfully and with consent, informing individuals about the purpose of data collection, protecting data from unauthorised access and allowing individuals to access and control their personal data.

To further protect consumer and public rights, the Personal Data Protection Standard 2015 was introduced. This standard provides businesses with detailed guidelines to safeguard personal data from loss, misuse, unauthorised access, and other threats, regardless of whether the data is processed electronically or otherwise. Key provisions include secure data storage, limiting access to authorised personnel, and maintaining audit trails to ensure accountability⁷³.

By 2016, Malaysia, as part of the Association of Southeast Asian Nations (ASEAN), adopted the ASEAN Framework on Personal Data Protection 2016 to align its data protection laws and practices with regional standards⁷⁴. This framework sets strategic priorities for digital data governance and supports the growth of the ASEAN digital economy. In 2018, Malaysia endorsed the ASEAN Framework on Digital Data Governance⁷⁵, which provides principles and initiatives to help ASEAN

⁷² Personal Data Protection Commissioner (2025). Personal data protection order (class of data users). <https://www.pdp.gov.my/ppdpv1/en/akta/personal-data-protection-order-class-of-data-users/>

⁷³ Personal Data Protection Commissioner (2025). Personal data protection standard 2015. <https://www.pdp.gov.my/ppdpv1/en/akta/personal-data-protection-standard-2015/>

⁷⁴ Asean.org (2025). Framework on digital data governance. <https://asean.org/wp-content/uploads/2012/05/10-ASEAN-Framework-on-PDP.pdf>

⁷⁵ Asean.org (2025). Framework on digital data governance. https://asean.org/wp-content/uploads/2012/05/6B-ASEAN-Framework-on-Digital-Data-Governance_Endorsedv1.pdf

member states to enhance its data management, harmonise data regulations among the states and promote intra-ASEAN flows of data. The framework focuses on the key areas of data life cycle and ecosystem, cross-border data flows, digitalisation and emerging technologies, and legal, regulatory and policy frameworks. Furthermore in 2021, ASEAN (consisting of Malaysia) introduced the ASEAN Data Management Framework⁷⁶, a voluntary and non-binding detailed guidance for ASEAN businesses to adopt effective data management practices.

Recognising the opportunity of digitalisation and the challenges brought by the COVID-19 pandemic, Malaysia introduced the MyDIGITAL agenda in 2021 to accelerate its digital economy transformation. As part of this agenda, two key documents were introduced: the MDEB and the National 4IR Policy (N4IRP). These policies aim to position Malaysia as a technologically advanced economy by 2030, complementing the broader goals of the Shared Prosperity Vision 2030 (SPV 2030)⁷⁷. SPV 2030 seeks to ensure inclusive and sustainable economic growth while reducing income inequality among Malaysians.

In 2023, Malaysia joined the Asia-Pacific Economic Cooperation (APEC) Cross-Border Privacy Enforcement, demonstrating its commitment to international cooperation in protecting personal data. This move aligns with global efforts to create stronger data protection standards. Following this, the country took another significant step with the passing of the Personal Data Protection (Amendment) Bill in 2024. The bill introduces enhanced safeguards and more comprehensive provisions for personal data protection, focusing on areas such as the inclusion of biometric data, expanded legal obligations for data processors, increased penalties for non-compliance, the requirement to appoint a data protection officer, and mandatory data breach notifications, among others⁷⁸. The amended provisions will take effect in stages starting in 2025, allowing businesses

⁷⁶ Digital Policy Alert (2021). Asean: Adopted Asean data management framework. <https://digitalpolicyalert.org/event/7533-adopted-asean-data-management-framework>

⁷⁷ MyDigital (2022). MyDigital progress report 2021: building a dynamic digital economy by 2030. <https://www.mydigital.gov.my/mydigital-progress-report-2021-building-a-dynamic-digital-economy-by-2030/>

⁷⁸ Department of Personal Data Protection (2024). Personal Data Protection (Amendment) Act 2024. <https://www.pdp.gov.my/ppdpv1/wp-content/uploads/2024/11/Act-A1727.pdf>

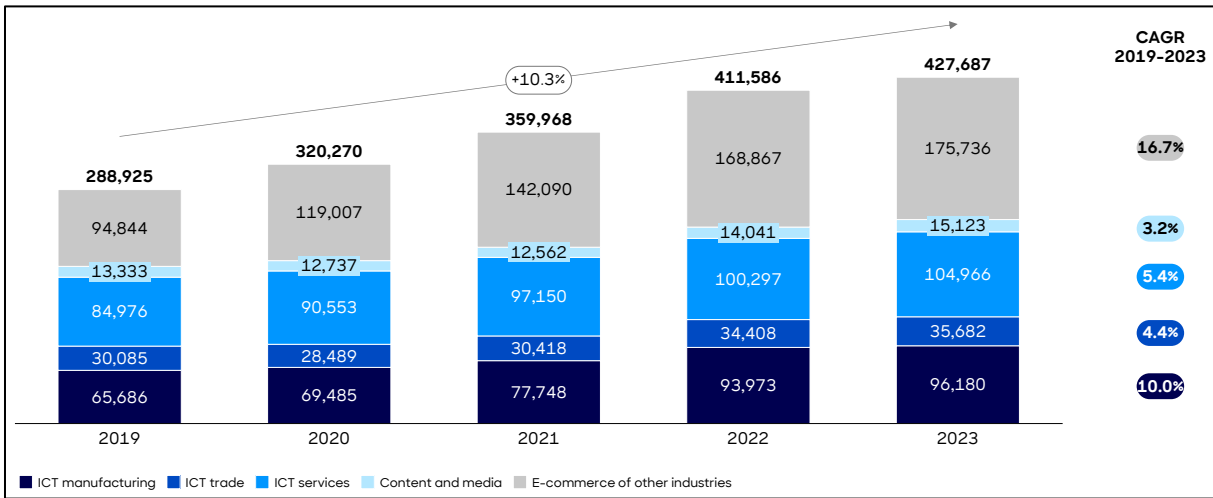
sufficient time to comply with the new requirements. Jabatan Perlindungan Data Peribadi (JPDP) subsequently in February 2025 released guidelines pertaining to data breach notification and protection officer appointment⁷⁹.

In line with global trends, Malaysia is also set to establish a Digital Trust and Data Safety Commission in the first half of 2025. This commission, spearheaded by the Ministry of Digital, aims to build a safe, secure, and trusted data ecosystem that promotes productive data flows across industries⁸⁰.

4.3 Performance in digital economy

4.3.1 Domestic performance

Figure 11: GDP contribution of Malaysia’s digital economy, 2019-2023 [MYR million]

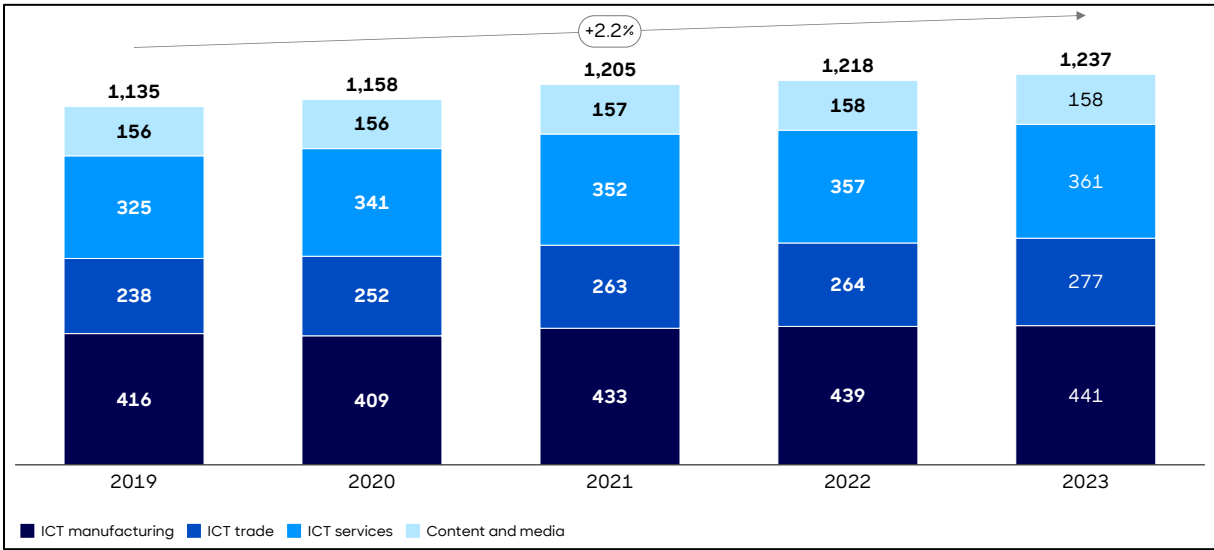


Source: DOSM

⁷⁹ JPDP (2024). Pekeliling pelantikan pegawai perlindungan data dan pemberitahuan pelanggaran data susulan pindaan Akta Perlindungan Data Peribadi 2010. <https://www.pdp.gov.my/ppdpv1/en/slaid-circular-on-the-appointment-of-data-protection-and-data-breach-notification-following-amendments-to-the-personal-data-protection-act-2010/>

⁸⁰ The Star (2024). Gobind: proposal to set up a digital trust and data safety commission in the first half of 2025. <https://www.thestar.com.my/business/business-news/2024/10/24/gobind-proposal-to-set-up-a-digital-trust-and-data-safety-commission-in-the-first-half-of-2025>

Figure 12: Employment in Malaysia’s ICT sector, 2019-2023 [‘000 persons]



Source: DOSM

The digital economy sector is a key driver of Malaysia’s economic growth. In 2023, the ICT and e-commerce sectors generated MYR 427.7 billion, accounting for 23.5% of the national GDP, up from 22.9% in 2022. Between 2019 and 2023, the sector experienced an average annual growth rate of 10.3%, surpassing the overall economy’s growth of 2.4% during the same period⁸¹. Employment in the sector also grew, reaching 1.2 million jobs in 2023, making up 7.8% of total employment⁸².

The e-commerce sub-sector has been particularly significant. Specifically in 2022, 78,236 establishments involved in e-commerce transactions, generating an income of MYR 1,126.9 billion. The domestic e-commerce market outperformed the international market, contributing MYR 1,003.5 billion. B2B transaction recorded the highest contribution (MYR 786.5 billion), followed by B2C transactions (MYR 312.6 billion) and B2G (MYR 27.8 billion). This growth is largely driven by the digital transformation of

⁸¹ DOSM (2024). Malaysia digital economy 2024, page 125. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf
⁸² DOSM (2024). Malaysia digital economy 2024, page 18. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

businesses, as well as increasing preference for online shopping among Malaysian consumers⁸³.

Within the sub-sector, OTAs have contributed positively, where more Malaysians today turn to the internet for travel planning. Platforms such as AirAsia, Agoda, and Booking.com have gained popularity over the years, enabling them to easily compare prices and book flights, accommodations, and travel packages.

ICT services represent the second-largest sub-sector, contributing 24.5% to the overall digital economy in 2023. This sub-sector includes industries such as data management (data centres, data security, big data analytics), software and system design (application development, e-platforms) and creative and digital content (eSports, gaming, and animation).

One of the key industries is app development. With the increasing penetration of smartphones and mobile internet, apps have become essential tools for daily activities, from shopping and banking to healthcare and education. Recognising its importance, various government entities have launched specific programmes to support and nurture this sub-sector. For instance, MDEC's Digital Content Fund provides financial assistance to startups involved in digital content creation, including mobile apps.

Separately within ICT services, the government has prioritised data management as a core industry. From 2021 to 2023, investments totalling MYR 114.7 billion related to data centres and cloud services were approved, with contributions from global tech companies such as Amazon, GDS Holdings Ltd, Yeoh Tiong Lay (YTL) Corp Bhd, and ByteDance Ltd⁸⁴. Additionally, in May 2024, the Ministry of Investment, Trade & Industry (MITI) secured a commitment from Google to invest MYR 9.4 billion, which will

⁸³ DOSM (2024). Malaysia digital economy 2024, page 45. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

⁸⁴ MIDA (2024). Data centres make up the bulk of RM144.7b in approved digital investments. <https://www.mida.gov.my/mida-news/data-centres-make-up-the-bulk-of-rm144-7b-in-approved-digital-investments/>

support the establishment of its first data centre and cloud region in Malaysia⁸⁵.

Following closely behind ICT services is ICT manufacturing, which contributed 22.5% to the total digital economy in 2023. Key industries in this sub-sector include components (e.g., semiconductors), electronic boards, communication equipment and consumer electronics. The government has placed particular emphasis on the semiconductor industry, aiming to attract MYR 500 billion in investment to advance its National Semiconductor Strategy. Several major players have already established operations in Malaysia, including US-based Intel, which plans to set up its first overseas facility for advanced Third Dimensional (3D) chip packaging and German-based Infineon, which unveiled the world's largest 200-millimetre silicon carbide (SiC) Power Fabrication facility in August 2024.

ICT trade follows, contributing 8.3% to the total digital economy. It includes ICT resale transactions among both wholesalers and retailers.

The smallest sub-sector within the digital economy is content and media, accounting for 3.5% of the total market. This includes industries such as motion picture, video, and television programme activities, along with online content and related services. The digital advertising services industry, which is highly relevant to this study, plays a vital role in fostering engagement and generating revenue for businesses within the digital landscape. The rapid growth of digital advertising is largely fuelled by increased engagement in various online activities, particularly social media and search platforms. At the same time, the industry is undergoing a rapid transformation, with emerging players like Retail Media Networks (RMNs)⁸⁶ gaining prominence⁸⁷. These networks, which include major platforms and apps such as Grab, Shopee, and others, have the potential to disrupt traditional digital advertising models. They leverage real-time consumer data and purchasing behaviour within their own retail ecosystems, enabling highly targeted and personalised advertising that drives conversions on their platforms.

⁸⁵ Bernama (2024). Malaysia approved RM114.7bln investments in data centres, cloud services from 2021 to 2023. <https://www.bernama.com/en/news.php?id=2306763>

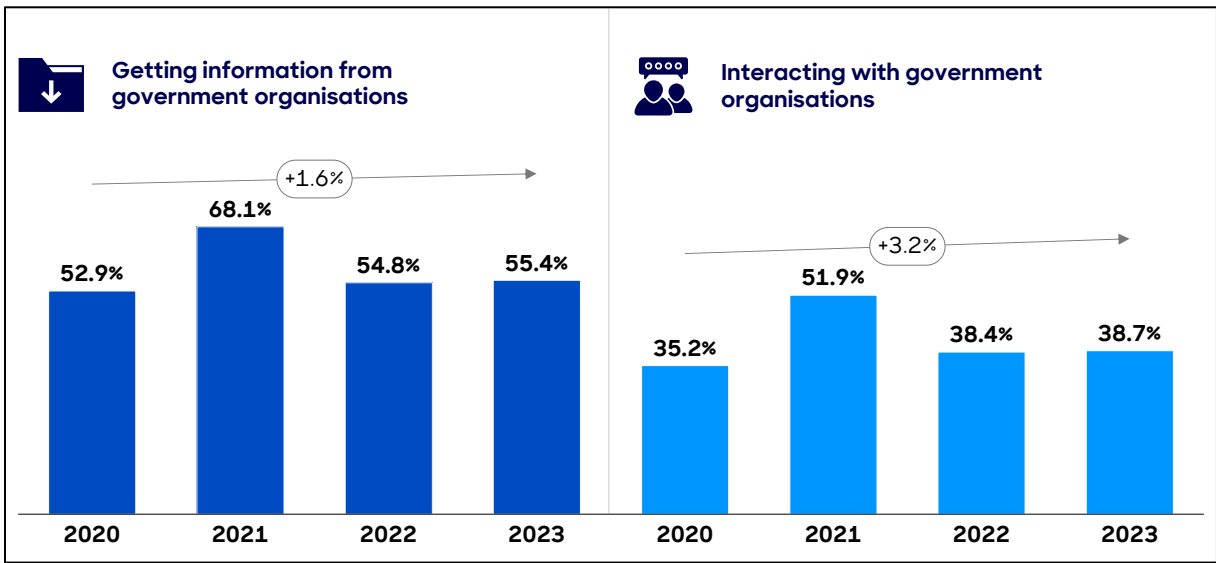
⁸⁶ Advertising technology (AdTech) platform owned and/or operated by a retailer

⁸⁷ The Edge (2024). Trends: the rising advertising superpower of super-apps. <https://theedgemaalaysia.com/node/723900>

4.3.2 Digitalisation in government, businesses, and among citizens

According to the Department of Statistics Malaysia’s (DOSM) Malaysia Digital Economy 2024 report⁸⁸, there are varying levels of participation and activity among the government, business establishments, and citizens.

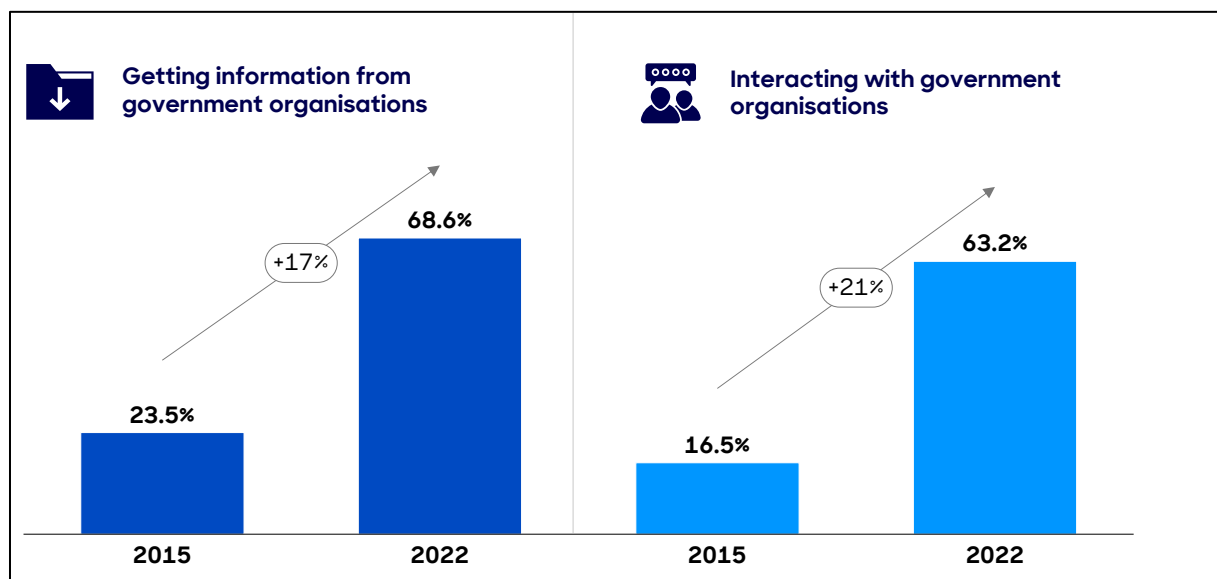
Figure 13: Purpose of internet usage by individuals, 2020-2023 [%]



Source: DOSM

⁸⁸ DOSM (2024). Malaysia digital economy 2024, page 80. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

Figure 14: Purpose of internet usage by establishments, 2015 and 2022 [%]



Source: DOSM

From the government's perspective, the two most prominent activities involve the level of digital interaction that businesses and individuals have with government organisations. These activities are measured by both parties' use of ICT to (a) get information and (b) interact with government organisations.

Overall, there has been an increase in their reliance on ICT tools to engage with the government by both individuals and businesses. While activities peaked during the COVID-19 pandemic in 2021, continuous efforts by the government are expected to further enhance its digital engagement with both individuals and businesses.

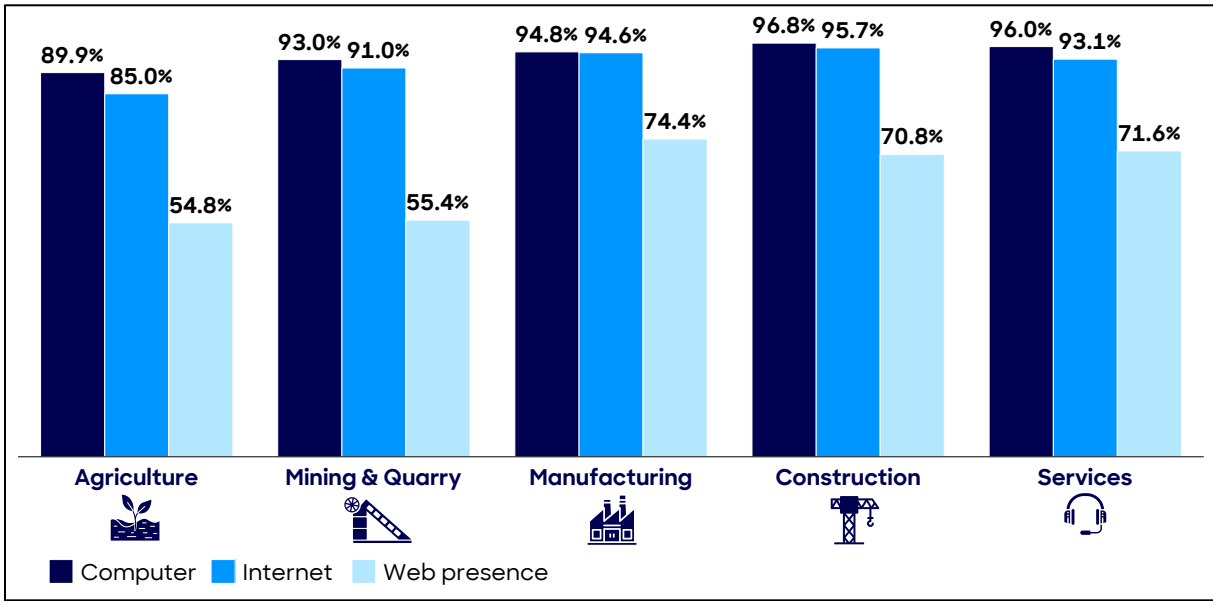
Various initiatives have driven the growth, starting with the 1996 "Electronic Government" initiative under the MSC Flagship Applications⁸⁹, aimed at optimising operational processes and improving government information delivery. This included projects such as E-Procurement, E-Syariah, and the Electronic Labour Exchange. More recently, the government and MDEC launched the Malaysia Digital initiative⁹⁰ to attract companies, talent, and investment, while enabling businesses and

⁸⁹ ePerolehan (2009). Overview. <https://eperolehan.com/en/about/overview2.html>

⁹⁰ MDEC (2022). Malaysia Digital. <https://mdec.my/malaysiadigital>

Malaysians to participate in the digital economy. Targeting nine key sectors, Digital Agriculture, Services, Cities, Health, Finance, Trade, Content, Tourism, and the Islamic Digital Economy, the initiative seeks to foster innovation, entrepreneurship, and investment.

Figure 15: Usage of computer, internet and web presence by various sector, 2022 [%]



Source: DOSM

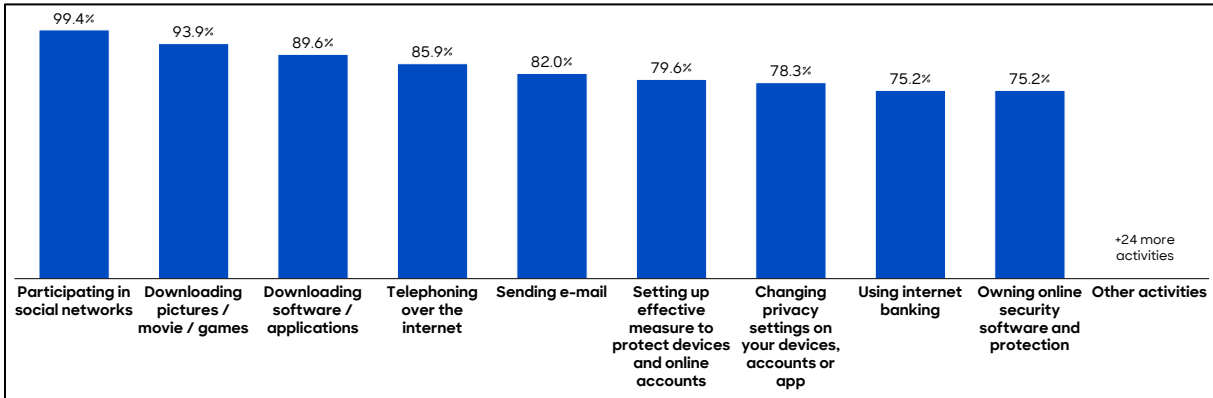
The usage of ICT by businesses and establishments, in terms of computers, internet, and web presence, varies across sectors. Construction leads in both computer and internet usage, while manufacturing leads in web presence. Overall, the average usage of computers and internet among Malaysian businesses is high, at approximately 95.9% and 93.3%, respectively. However, web presence remains lower, with about 71.4% of businesses having an online presence. The service sector, which includes most of the sub-sectors in this report, performs largely above the national average across all three ICT elements, with 96.0% for computer usage, 93.1% for internet usage, and 71.6% for web presence⁹¹.

⁹¹ DOSM (2024). Malaysia digital economy 2024, page 65. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

Specifically, the adoption of e-commerce by businesses in Malaysia has grown significantly, particularly during the COVID-19 pandemic. According to MyCC’s Market Review under the Competition Act 2010 for the Service Sector in Malaysia, published in 2020⁹², the pandemic accelerated digital adoption for both consumers and industries. In particular, businesses have begun adopting digital platforms like Grab.

Businesses' digitalisation efforts are further supported by government initiatives, such as the National E-Commerce Strategic Roadmap (NESR 1.0), which aims to accelerate e-commerce adoption by enhancing areas such as last-mile delivery and online payment systems⁹³. With the global e-commerce market projected to reach USD 8.0 trillion by 2027⁹⁴, it is crucial for Malaysian businesses, particularly Small and Medium Enterprise (SMEs), to leverage digital platforms to expand their market reach and remain competitive.

Figure 16: Top 10 activities by Malaysian using internet, 2023 [%]



Source: DOSM

Separately, Malaysians have varying levels of participation rates amongst the different activities made available via the internet, which is a large part of how Malaysians today interact with the ICT sector. The primary activities

⁹² MyCC (2020). Market Review under the Competition Act 2010 for the Service Sector in Malaysia, page 81. <https://www.mycc.gov.my/market-review/final-report-market-review-for-service-sector>

⁹³ MITI (2016). Malaysia’s national eCommerce strategic roadmap, page 2. https://www.miti.gov.my/miti/resources/1_NeSR_Book_Final_.pdf

⁹⁴ EMarketer (2024). Worldwide retail ecommerce forecast 2024. <https://www.emarketer.com/content/worldwide-retail-ecommerce-forecast-2024>

that Malaysians perform using ICT tools is shown above, with the top five activities being communications-related and the highest being participating in social networks (e.g., Facebook, Whatsapp, Instagram, X, etc.) at ~99%. Emphasis on data privacy and protection is observed as the second core focus among Malaysians, with activities including setting up measures to protect devices, online accounts, and adjusting privacy settings⁹⁵.

4.3.3 International performance

Figure 17: Malaysia’s performance in Institute for Management Development’s (IMD) World Digital Competitiveness, 2024 [ranking]⁹⁶

Country		World Digital Competitiveness 2024 global ranking
Singapore		1
Malaysia		36
Thailand		37
Indonesia		43
Philippines		61

Source: IMD

Malaysia is ranked 36th out of 64 countries in the Swiss-based International Institute for Management Development (IMD)’s World Digital Competitiveness Ranking. Within ASEAN, it holds the second position behind Singapore, which ranks first globally⁹⁷.

⁹⁵ DOSM (2024). Malaysia digital economy 2024, page 234. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

⁹⁶ Ranks the extent to which countries adopt and explore digital technologies.

⁹⁷ IMD (2024). Rankings out of 67 economies. https://www.imd.org/centers/world-digital-ranking/#_tab_List

However, the country’s ranking has been slipping over the years, dropping from a high of 26 in 2019 to 36 in 2024. According to the Malaysia Productivity Corporation (MPC), the challenges include embracing a digital-first mindset and enhancing digital technology across various sectors⁹⁸.

Published annually by the World Competitiveness Center (WCC), the ranking evaluates how prepared and capable economies are in adopting digital technologies for economic and social transformation. It assesses digital competitiveness through three main factors: knowledge, technology, and future readiness. The ranking relies on various in-country partners, including the MPC, to supply data from national sources and distribute survey questionnaires⁹⁹.

Figure 18: Malaysia’s performance in International Telecommunication Union’s (ITU) ICT Development Index, 2024 [%]¹⁰⁰

Country		ICT Development Index 2024 score (max. being 100%)
Singapore		97.8%
Brunei Darussalam		95.7%
Malaysia		95.0%
Thailand		91.0%
Vietnam		85.0%
Indonesia		82.8%

Source: ITU

⁹⁸ Malay Mail (2023). Malaysia falls to 33rd spot in world digital competitiveness ranking, trails Singapore. <https://www.malaymail.com/news/malaysia/2023/12/02/malaysia-falls-to-33rd-spot-in-world-digital-competitiveness-ranking-trails-singapore/105384>

⁹⁹ IMD (2025). Partner institutes. <https://www.imd.org/centers/wcc/world-competitiveness-center/partnerships/>

¹⁰⁰ Ranks the extent to which connectivity is universal and meaningful.

Despite these challenges, Malaysia has made significant progress in ICT development in recent years, with collaboration between the government and private sector driving investments in digital technology and infrastructure. In the 2024 ICT Development Index published by the International Telecommunication Union (ITU) ¹⁰¹, Malaysia scored 95%, surpassing the Asia Pacific average of 77.3% and the Upper Middle Income category's score of 79.1%.

One of the recent efforts contributed to the growth is the establishment of Digital Nasional Bhd (DNB), where it has accelerated the deployment of 5G infrastructure across Malaysia. As of 2024, Malaysia's 5G network has received global recognition for its quality and performance, earning various accolades, including:

- Ranked 1st globally for Ookla 5G consistency score in 2023¹⁰².
- Winner of FutureNet World Global Award 2024 for automated operations Solution incorporating AI functionality¹⁰³.
- Malaysian Telco companies using DNB's 5G network continue to be the highest-ranked mobile operators globally for all categories in the Opensignal 5G Global Awards 2024¹⁰⁴.

As Malaysia continues to develop its digital infrastructure, it will not only improve its ranking in the IDI but also enhance overall competitiveness and readiness to adopt new digital technologies, positively impacting its IMD World Digital Competitiveness Ranking (as highlighted in the previous index). More importantly, it is projected to have a favourable effect on the economy. According to an Ernst & Young study commissioned by DNB, the

¹⁰¹ ITU Data Hub (2024). Malaysia ICT development index. <https://datahub.itu.int/dashboards/idi/?y=2024&e=MYS>

¹⁰² Ookla (2024). 5G in Malaysia - single wholesale network driving regional leadership. <https://www.ookla.com/articles/malaysia-5g-swn-q4-2023>

¹⁰³ Ericsson (2024). DNB & Ericsson's AI intent-based operations solution wins third award, recognizing future-readiness of Malaysia's 5G network. <https://www.ericsson.com/en/press-releases/2/2024/10/dnb--ericssons-ai-intent-based-operations-solution-wins-third-award-recognizing-future-readiness-of-malysias-5g-network>

¹⁰⁴ Opensignal (2024). 5G global mobile network experience awards 2024. <https://www.opensignal.com/2024/10/5g-global-mobile-network-experience-awards-2024>

widespread adoption of 5G enterprise use cases could boost Malaysia’s GDP by 5% (MYR 122 billion) by 2030¹⁰⁵.

Figure 19: Malaysia’s performance in Huawei’s Global Digitalisation Index ranking, 2024 [score]¹⁰⁶

Country		Huawei Global Digitalisation Index (GDI) 2024
Singapore		76.1
Malaysia		49.9
Thailand		47.2
Vietnam		36.7
Philippines		34.9
Indonesia		33.1

Source: Huawei

Separately, according to Huawei’s Global Digitalisation Index (GDI) 2024, which evaluates digital economic development, industry progress, and talent ecosystem readiness across 77 countries, Malaysia scored 49.9 ranking second highest in Southeast Asia and classified as an “Adopter”. This classification reflects Malaysia’s rapid progress in digital development, driven by widespread basic connectivity and supportive industry policies.

As an adopter, Malaysia focuses on expanding reliable connectivity, which is essential for digital services and the development of cloud, data centres, and storage. By strengthening its digital foundations, Malaysia is positioned

¹⁰⁵ Ernst & Young (2021). Estimating the economic impact of the single wholesale 5G network in Malaysia. <https://www.digital-nasional.com.my/themes/custom/dnb/pdf/estimating-the-economic-impact-of-the-single-wholesale-5G-network-in-malaysia.pdf>

¹⁰⁶ Huawei (2024). Global Digitalization Index (GDI) 2024. <https://www.huawei.com/en/gdi>

to foster economic growth and accelerate its digital transformation initiatives.

Figure 20: Malaysia’s performance in UN’s E-Government Index, 2024
[score]¹⁰⁷

Country		UN E-Government Index 2024
Singapore		96.9
Thailand		83.5
Malaysia		81.1
Indonesia		79.9
Vietnam		77.1
Philippines		76.2

Source: UN

On government services, Malaysia has made significant progress. According to the United Nations (UN) E-Government Index, which measures a country’s readiness, capacity, and progress in using e-government for the provision of public services, Malaysia improved its score from 61.1% in 2014 to 81.1% in 2024, ranking third in Southeast Asia after Singapore and Thailand.

Various initiatives contributed to the improve in ranking, including but are not limited to, the digitalisation of motor vehicle licenses (road tax)¹⁰⁸, the introduction of MyDigital Identification (ID) as the sole verification system for other government-related apps¹⁰⁹, and the launch of Pangkalan Data

¹⁰⁷ UN (2024). UN E-government survey 2024. <https://publicadministration.un.org/egovkb/en-us/Reports/UN-E-Government-Survey-2024>

¹⁰⁸ MOT (2023). Digital road tax and licence explained., pages 1-3. <https://www.mot.gov.my/en/News/DIGITAL%20ROAD%20TAX%20AND%20LICENCE%20EXPLAINED.pdf>

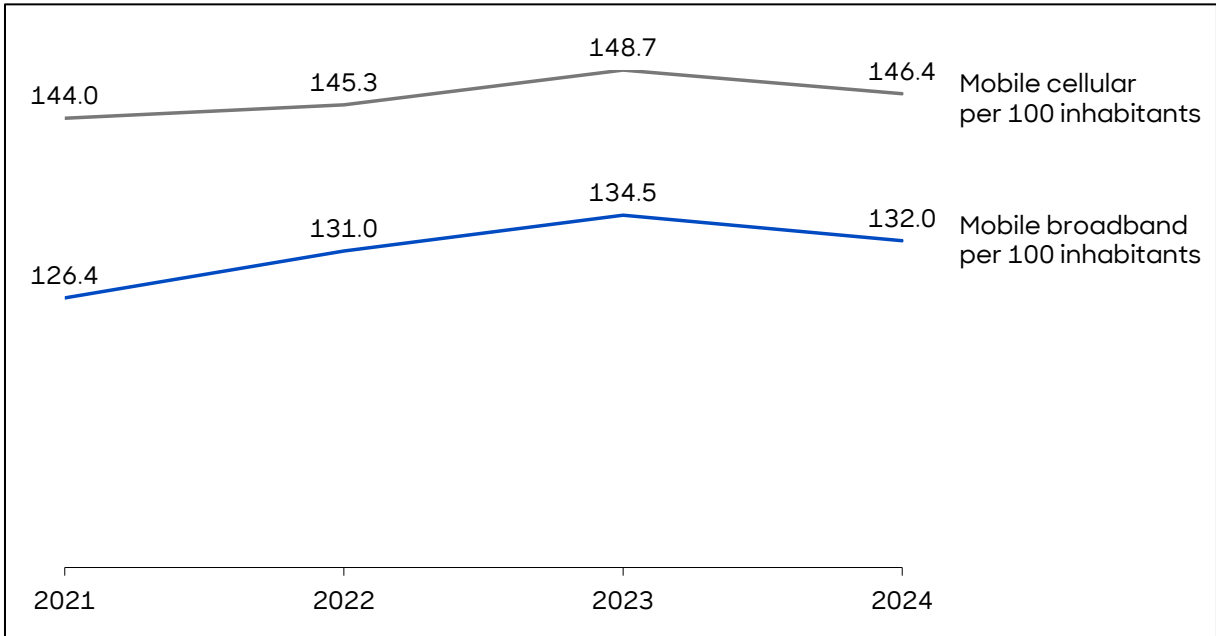
¹⁰⁹ MyDigital ID (2024). Brochure. https://digital-id.my/pdf/MyDigital_ID_Brochure_2024.pdf

Utama (PADU)¹¹⁰, a centralised database hub designed to consolidate information on Malaysian citizens and support the government in better distributing benefits. These efforts have enhanced the efficiency and accessibility of public services, contributing to Malaysia’s advancement in e-government development.

4.3.4 Key factors driving Malaysia’s digital economy

4.3.4.1 Population’s increasing connectivity

Figure 21: Mobile broadband and mobile cellular penetration rates, 2021-2024¹¹¹ [%]



Source: DOSM

Growing internet penetration in Malaysia is a significant catalyst for the expansion of the digital economy. According to DOSM, the percentage of individuals using mobile phones and computers is 99.4% and 80.4%, respectively as of 2023¹¹². DOSM also highlighted mobile broadband

¹¹⁰ PADU (2025). Homepage. <https://padu.gov.my/>
¹¹¹ Penetration rate for the year is based on the latest available figures from the most recent quarter.
¹¹² DOSM (2024). Malaysia digital economy 2024, page 57. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

penetration rate reaching 132.0 subscriptions per 100 inhabitants, while mobile cellular subscriptions reached 146.4 per 100 inhabitants by the Quarter 3 (Q3) of 2024¹¹³.

As more Malaysians come online through the deployments of Fourth Generation (4G) and 5G high-speed networks coverage in both sub-urban and rural areas (80% of population coverage), it has enabled greater access to innovative digital services, further boosting economic growth and digital transformation across sectors¹¹⁴.

A key factor in this growth is the country's focus on improving connectivity, particularly through the recent push for 5G development. Malaysia's 5G network development began in 2018 with the establishment of the National 5G Taskforce. Initially, a Single Wholesale Network (SWN) model was adopted to accelerate the rollout and ensure inclusive coverage across the country. However, in May 2023, the government transitioned to a dual-network approach to mitigate risks associated with a single point of failure, ensure redundancy for 5G services, and foster a competitive 5G ecosystem¹¹⁵.

As of October 2024, 5G penetration stands at 51.5%, and the coverage of 5G infrastructure now extends to 82.1% of populated areas, benefiting more than 17.5 million subscribers¹¹⁶. This shows a rate of increase of ~20% per month from ~3.1% in March 2023. Various 5G use cases have been adopted across multiple sectors of the economy, including the implementation of Malaysia's first 5G private network in the oil and gas industry by Petronas in October 2023¹¹⁷.

¹¹³ DOSM (2024). Malaysia Digital Economy 2024, page 85. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

¹¹⁴ Malaysia Network Operators Group (2024). Malaysia's unique approach on 5G network rollout. <https://www.mynog.org/wp-content/uploads/2024/06/Plenary-1010-DNB-1.pdf>

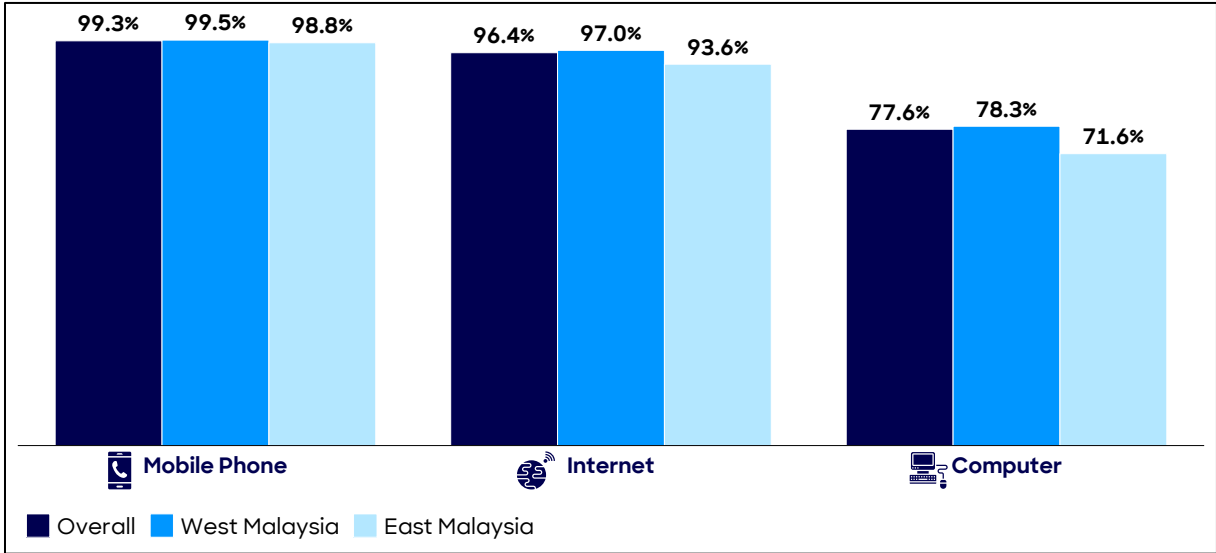
¹¹⁵ The Edge (2023). 5G: no rollback as Cabinet decides to stay with single wholesale network till DNB completes 80% coverage. <https://theedgemaalaysia.com/node/665485>

¹¹⁶ Bernama (2024). 17.5 million 5G users in Malaysia - Gobind. https://www.bernama.com/en/news.php/crime_courts/sports/news.php?id=2370501

¹¹⁷ Petronas (2023). Petronas becomes first in Malaysia to adopt 5G private network for enterprise use. <https://www.petronas.com/media/media-releases/petronas-becomes-first-malaysia-adopt-5g-private-network-enterprise-use>

In terms of access to ICT tools, the country has experienced a sustained increase in key areas, including computers, internet connectivity, and mobile phone. Current statistics indicate that each of these areas has surpassed a penetration rate of 90% ¹¹⁸ , reflecting a high level of accessibility and integration of technology within the population. This significant penetration highlights that the majority of the population is equipped with the necessary tools for digital engagement, positioning the country as well-prepared for the digital economy.

Figure 22: Percentage of households with access to selected ICT services in Malaysia, 2023¹¹⁹ [%]



Source: DOSM

Despite Malaysia having high overall ICT development, variations in geography, population densities, economic activities, and cultural factors have led to slight disparities in access and development between West and East Malaysia. These differences are particularly evident in the penetration rates of ICT tools, as seen in the comparison between the two regions shown in **Error! Reference source not found.**

¹¹⁸ DOSM (2023). Malaysia digital economy 2024, page 220. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

¹¹⁹ Figures from both West and East Malaysia are based on the average access rate across all states within each region.

4.3.4.2 COVID-19 and digitalisation

Similar to many countries, the pandemic has acted as a catalyst for Malaysia's digital economy, accelerating the adoption of digital technologies across various sectors.

During that period, various incentives were given to businesses by the government with the objective to stimulate economic growth.

In June 2020, the government launched the PENJANA (*Pelan Jana Semula Ekonomi Negara*) stimulus package, a short-term economic recovery plan worth MYR 35 billion. The package included various digital initiatives for businesses and citizens, such as¹²⁰:

- **Digital Adoption Grant and Loans:** Provision of MYR 700 million in grants and loans to eligible enterprises for the adoption or subscription of digitalisation services.
- **Micro and SME E-Commerce Campaign:** Initiative to encourage micro, small and medium enterprises (MSMEs) to adopt e-commerce, providing onboarding training, seller subsidies and sales support. This campaign is co-funded by the Government through MDEC and various e-commerce platforms.
- **Shop Malaysia Online Campaign:** Collaboration between the government and e-commerce platforms to co-fund e-commerce digital discount vouchers.
- **ePenjana Credit:** Credit of MYR 50 for e-wallet users, with an additional MYR 50 in value offered through cashback vouchers and discounts from e-wallet service providers.
- **Dana PENJANA Nasional:** MYR 1.2 billion fund aimed at providing capital to digital-focused Malaysian venture capital funds and startups.

¹²⁰ Bernama (2020). List of 40 initiatives under Penjana. <https://www.bernama.com/en/news.php?id=1848388>

- **Promotion of Remote Learning and Work:** Provision of 1 gigabyte of free daily capacity for all users to access educational websites, news and video conferencing applications.

According to JENDELA (*Jalinan Digital Negara*), the Digital Network Plan introduced by the Malaysian Communications & Multimedia Commission (MCMC), Malaysia's internet traffic increased up to 70%¹²¹. Additionally, internet usage in residential areas saw a similar rise of up to 70%. Lockdowns and social distancing measures compelled businesses and consumers to shift online, resulting in a surge in e-commerce, online education and remote work solutions. The need for contactless transactions also led to the rapid growth of digital payment systems and e-wallets, e.g., Touch 'n Go and DuitNow, making financial transactions more convenient and secure.

In line with Malaysia's push for digitalisation, the Sarawak and Sabah government have also introduced various state-level initiatives via its local entities¹²² – Sarawak Digital Corporation (SDEC)¹²³ and Sabah Creative Economy and Innovation Centre (SCENIC)¹²⁴.

SDEC:

- **Sarawak rural Broadband Network (MySRBN):** Provision of high-speed broadband connectivity across suburban and rural areas in Sarawak.
- **Innovation hubs:** Platform for startups, creative industries, SMEs and social enterprises.

¹²¹ Malaysian Wireless (2020). Malaysia government wants 100% 4G coverage, 100mbps 5G speeds. <https://www.malaysianwireless.com/2020/09/malaysia-government-jendela-4g-coverage-100mbps-5g-speeds/>

¹²² SDEC is a wholly-owned company by the Sarawak Government through State Financial Secretary Inc. under the Ministry of Finance and Economic Planning. It serves as the state's implementing agency in driving the Sarawak Digital Economy initiatives; SCENIC is an initiative under the Sabah state's Ministry of Science, Technology and Innovation. It is responsible to accelerate industries in the state through entrepreneurship, technology, innovation and creativity.

¹²³ Sarawak Digital Economy Corporation (SDEC) (2025). <https://sdec.com.my/>

¹²⁴ Sabah Creative Economy and Innovation Centre (SCENIC) (2025). <https://scenic.my/>

- **Sarawak Digital Mall:** Platform aimed at boosting e-commerce adoption and sales performance of MSMEs.
- **GoDigital:** Purchase of hardware, software, and digital services aimed at assisting MSMEs in digitalising their business.

SCENIC:

- **SCENIC-SATA Hasanah Special Fund:** Provision of funds to Sabahan social entrepreneurs.
- **SEMAI Summit:** Summit with forums, sharing sessions focusing on social entrepreneurship.

4.3.4.3 Growing adoption of new technologies

Malaysia's digital economy is at the forefront of adopting new technologies, which are driving significant changes across various sectors. The adoption of AI and ML is noteworthy, with applications ranging from personalised shopping experiences in e-commerce to predictive analytics in digital advertising. For instance, e-commerce platforms are now increasingly using AI to recommend products based on user behaviour, resulting in higher engagement and sales conversion rates. In 2023, e-commerce player Lazada launched its AI-powered and augmented reality (AR) “Skin Test Technology”, allowing consumers to diagnose their skin condition through phone cameras¹²⁵.

In the digital advertising sub-sector, publisher REV Media group in October 2024 introduced AI influencers Liz Spark and Adam Spark, offering brands innovative ways to engage with diverse markets¹²⁶. Separately, Astro partnered with Talon Creative to launch an AI-driven initiative that utilises a social listening system to identify online posts expressing emotions like sadness and frustration. In response, AI-generated personalised messages,

¹²⁵ Retail Asia (2024). Lazada launches AI, AR-powered skin test technology. <https://retailasia.com/e-commerce/news/lazada-launches-ai-ar-powered-skin-test-technology>

¹²⁶ New Straits Times (2024). REV Media unveils new AI influencers as part of digital marketing push. https://www.nst.com.my/news/nation/2024/10/1117194/rev-media-unveils-new-ai-influencers-part-digital-marketing-push#google_vignette

crafted to mimic the style and tone of the series' cast members, are sent to offer support and encouragement¹²⁷.

In the online travelling sub-sector, AirAsia launched an AI-powered concierge, 'Ask Bo,' in February 2023. With enhanced ML capabilities, 'Ask Bo' offers more proactive and personalised customer service, providing live updates on flight status, boarding information, baggage tracking, and flight changes¹²⁸.

4.3.4.4 Government's push for startups

The vibrant startup ecosystem in Malaysia plays a crucial role in fostering innovation. While recognising its importance, the government is also aware of the key challenges faced by startups. According to the Malaysia Startup Ecosystem Roadmap (SUPER) 2021-2030, challenges such as funding for early-stage startups, a limited talent pool, particularly in tech and digital fields, and issues related to the regulatory environment and market access remain as hurdles¹²⁹.

In response, the government has introduced several initiatives to promote entrepreneurship and drive innovation. One of the notable efforts is the Ministry of Economy's KL20 Summit 2024, which aims to position Kuala Lumpur among the world's top 20 global startup hubs by 2030. Key activities outlined in this initiative include, but are not limited to¹³⁰:

¹²⁷ Marketing Magazine (2024). Talon Creative works with Astro to leverage A.I. and inspire Positive Social Engagement featuring Mierul Aiman & Shasha Abedul. <https://marketingmagazine.com.my/talon-creative-works-with-astro-to-leverage-a-i-and-inspire-positive-social-engagement-featuring-mierul-aiman-shasha-abedul/>

¹²⁸ AirAsia (2023). "We have listened." Capital A fires chatbot AVA and introduces new AI-powered "Ask Bo" as part of commitment to more transparent, enhanced customer experience. <https://newsroom.airasia.com/news/capital-a-welcomes-ask-bo#gsc.tab=0>

¹²⁹ MOSTI (2021). Malaysia Startup Ecosystem Roadmap 2021-2030, pages 1-38. [https://www.mosti.gov.my/wp-content/uploads/repository/penerbitan/2021/\(SUPER\)%20Malaysia%20Startup%20Ecosystem%20Roadmap%202021-2030.pdf](https://www.mosti.gov.my/wp-content/uploads/repository/penerbitan/2021/(SUPER)%20Malaysia%20Startup%20Ecosystem%20Roadmap%202021-2030.pdf)

¹³⁰ KL20 Summit (2024). Malaysia launches major initiatives at KL20 summit to boost global startup standing. <https://www.kl20.gov.my/malaysia-launches-major-initiatives-at-kl20-summit-to-boost-global-startup-standing/>

- **Unicorn Golden Pass:** Attractive incentives offered to startups, including waived fees for employment passes for senior management, subsidised rental options, concessionary tax rates on corporate profits, etc.
- **KL20 Action paper:** Comprehensive roadmap with initiatives that aim to make talent access easier (Visa Green-laning), investing and deal-sourcing more regular (Venture Capital (VC) Golden Pass) and AI Infrastructure more mature (Graphical Processing Units installation).
- **Kuala Lumpur Innovation Belt:** Initiative by MRANTI to create a one-stop centre for startups and investors.

Furthermore, the Ministry of Science, Technology and Innovation (MOSTI) mandated Cradle Fund, Malaysia's early-stage startup influencer, to lead its ASEAN Startup initiative with the aim to foster greater collaboration, innovation, and growth among startups in the region. The initiative will unfold in two phases: the first phase in 2024 will focus on developing the ASEAN Startup Portal, while the second phase in 2025 will emphasise capacity-building programs.

4.3.5 Projected growth of Malaysia's digital economy

By 2025, the Ministry of Digital projects a total contribution of 25.5% from the digital economy to Malaysia's total GDP¹³¹. This target will be driven by various initiatives, including government-led projects and "Catalytic Projects" through Public-Private Partnerships (PPPs), where the private sector leads and finances the projects¹³².

¹³¹ Malay Mail (2024). Digital minister: govt targets 25.5pc GDP contribution from digital economy by end-2025. <https://www.malaymail.com/news/malaysia/2024/06/25/digital-minister-govt-targets-255pc-gdp-contribution-from-digital-economy-by-end-2025/141472>

¹³² MyDigital (2022). MyDigital catalytic projects facilitating game-changing technological innovation for key sectors. <https://www.mydigital.gov.my/mydigital-catalytic-projects-facilitating-game-changing-technological-innovation-for-key-sectors/>

The overall target will be supplemented by the various sub-targets laid out in both MDEB and the National 4IR Policy (N4IRP) (see section **Error! Reference source not found.** for more information):

Target under MDEB (by 2025):

- Total investment in digitalisation: MYR 70 billion
- Number of MSMEs adopting e-commerce: 875,000
- Number of start-ups: Up to 5,000
- Number of unicorns (privately held startup company with a valuation of $\geq$ \$ 1 billion): at least two and being based in Malaysia
- Job opportunities in digital economy: More than 500,000

Target under N4IRP (by 2030):

- Transform 20% of semi- and low-skilled labour to highly skilled labour
- More home-grown Fourth Industrial Revolution (4IR) technology providers
- 3.5% in Gross Domestic Expenditure on R&D (GERD), including for 4IR-related R&D
- Ranked Top 20 in Global Innovation Index
- 80% of online government services are integrated and supported by 4IR technology application
- All teachers are trained to use 4IR technology

The MYDIGITAL agenda is overseen by the Council of Digital Economy and the Fourth Industrial Revolution (MED4IRN), led by the Prime Minister of

Malaysia. The Council includes Cabinet Ministers, private sector representatives, industry leaders, and think tank members¹³³.

Moreover, in October 2024, the government's Budget 2025 outlines various initiatives aimed at enhancing the digital economy, innovation and infrastructure ¹³⁴ , and supporting the achievement of the above-mentioned targets:

Supporting Digital Initiatives (Malaysia Budget 2025):

- Expansion of R&D funding to MYR 600 million is planned to encourage innovation and the development of new technologies.
- Allocation of MYR 320 million to improve internet access, including MYR 120 million for higher education institutions (HEIs), MYR 100 million for broadband in rural schools, and MYR 100 million for the National Information Dissemination Centres (NADI) over five years.
- MYR 10 million allocation to establish of the National Artificial Intelligence Office (NAIO), which will coordinate AI efforts and develop a strategic action plan for AI technology.
- The New Investment Incentive Framework (NIIF) includes a MYR 1 billion fund to support high-value activities like integrated circuit (IC) design services. Special tax deductions will also be given to HEIs that develop new courses in digital technology, AI, robotics, IoT, data science, Fintech, and sustainable technologies.

4.4 Digital economy-related policies

While digitalisation has been recognised in key policy documents such as the Malaysia Plan, a focused approach was only introduced in 2019 under

¹³³ MITI (2021). Publication of information and communication technology satellite accounts (ICTSA) 2021 by Department of Statistic Malaysia (DOSM) - <https://www.miti.gov.my/index.php/pages/view/8527>

¹³⁴ Ministry of Finance (2024). Budget tabling for 2025. <https://belanjawan.mof.gov.my/en/>

the SPV 2030¹³⁵, which identified Digital Economy as one of its 15 Key Economic Growth Areas (KEGA).

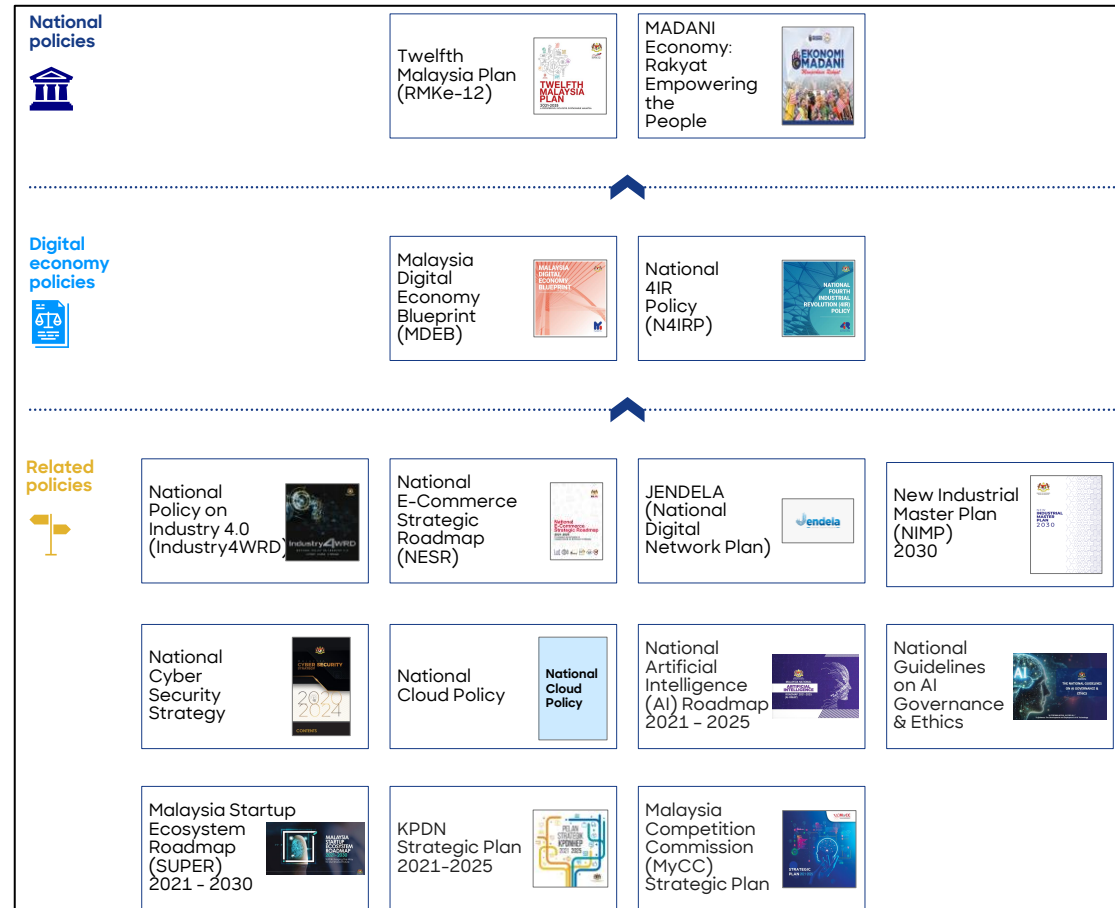
In 2021, the government formalised its commitment to the digital economy with the launch of the MYDIGITAL agenda, which introduced both the MDEB and the National Fourth Industrial Revolution Policy (N4IRP). These policies aim to streamline sectoral policies and align them with broader national goals, with the N4IRP serving as a central industrialisation policy focused on manufacturing and related services.

Subsequent policies were introduced to support the MDEB and N4IRP, with additional industry-specific policies developed in alignment with these frameworks. The figure below outlines the comprehensive policies governing the digital economy, along with related initiatives.

These policies reflect the government's commitment to the robust development of Malaysia's digital economy. The primary goals are to drive national growth, foster inclusiveness, and enhance competitiveness for the benefit of the economy, the people, and the country as a whole.

¹³⁵ Ministry of Economy (2019). Shared prosperity vision 2030. <https://ekonomi.gov.my/sites/default/files/2020-02/Summary%20Shared%20Prosperity%20Vision%202030.pdf>; New Straits Times (2023). Armizan: Malaysia Madani replaces SPV 2030, framework to be launched soon by PM. <https://www.nst.com.my/news/nation/2023/02/883055/armizan-malaysia-madani-replaces-spv-2030-framework-be-launched-soon-pm>

Figure 23: National, key and supporting policies related to the digital economy¹³⁶



Source: Secondary research and MyCC analysis

¹³⁶ MyCC analysis.

4.4.1 National policies

Table 6: Guiding national policies for the digital economy in Malaysia

#	Policy	Description	Competition aspect	Data privacy and protection aspect
1	Twelfth Malaysia Plan (RMKe-12) by Economic Planning Unit (EPU) under the Ministry of Economy 	Five-year, medium-term plan with the objective of developing a “Prosperous, Inclusive, Sustainable Malaysia.” It emphasises the importance of digital transformation across sectors, aiming to enhance digital literacy, promote e-commerce and support technology adoption under the Policy Enabler 2: Accelerating Technology Adoption and Innovation.	Recognises the weak digital global presence of Malaysian companies and proposes initiatives such as developing standards, setting up new platforms, and fostering cross-border activities promote competition in the digital economy. It also plans to expand digitalisation by scaling up digital skills and opportunities for targeted groups to promote inclusiveness of	Recognises the importance of improving data integration and privacy for efficient service delivery. Proposes formulating policies on data sharing whilst protecting data privacy such as developing national digital identification policy to build trust and security for digital transactions and data movement, with the

#	Policy	Description	Competition aspect	Data privacy and protection aspect
			Malaysians in the digital economy.	goal of curbing fraud and enhancing individual rights alongside the PDPA.
2	MADANI¹³⁷ Economy: Empowering the People <i>by the Prime Minister & Finance Minister of Malaysia, Datuk Seri Anwar Ibrahim</i> 	Launched in 2023 with the aim to restore Malaysia's economy, position it as a leading nation in Asia and to enhance the people's quality of life through economic growth. It emphasises the integration of digital technologies across various sectors to enhance productivity and competitiveness through the creation of a 'digital and	Attempts to reform the digital economy and increase the exposure of MSMEs to the digital era through providing matching grants of 50% or up to MYR 5,000 for smaller businesses to equip them with financial capabilities to compete with larger, more established companies in the digital marketplace.	Looks to implement Digital ID, which is an initiative to verify people's identity on the internet or in the cyber world. It aims to foster the expansion of online businesses and application whilst ensuring that personal data is well protected from potential misuse or unauthorised access.

¹³⁷ keMampanan (Sustainability), kesejAhteraan (Prosperity), Daya cipta (Innovation), hormAt (Respect), keyakiNan (Trust) and Ihsan (Compassion)

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		innovation-led Industry'. A 'digital and innovation-led industry' will be created through Domestic Direct Investment (DDI) from government-linked companies (GLCs) and government-linked investment companies (GLICs). Through the promotion of digital literacy and access to technology, the plan seeks to empower individuals and businesses, thereby fostering a robust digital economy.	Additionally, it highlighted the need to address all forms of malicious deception and fake news in advertising that can sow division and mistrust within the digital advertising sub-sector. These initiatives aim to enhance Malaysia's competitiveness in the digital economy by supporting small businesses and ensuring a trustworthy digital advertising environment.	The Digital ID is designed to enhance trust in the digital ecosystem, supporting the growth of Malaysia's digital economy. It is part of the broader Malaysia Digital Economy Blueprint, aligning with the MADANI Economy's aspiration to elevate the country as an Asian economic leader and improve the well-being of its people.

Source: Secondary research and MyCC analysis

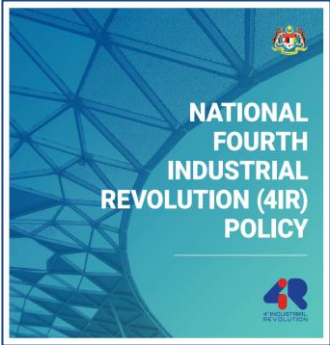
4.4.2 Digital economy policies

Table 7: Digital economy policies in Malaysia

#	Policy	Description	Competition aspect	Data privacy and protection aspect
1	Malaysia Digital Economy Blueprint (MDEB) by EPU under the Ministry of Economy 	Launched in early 2021, the blueprint aims to transform Malaysia into a digitally driven, high-income nation and regional leader (in the field of digital economy) by 2030. It focuses on three outcomes: 1. Socio-environmental wellbeing for all; 2. Business growth in all sectors; and 3. Fit-for-future government. The blueprint is driven by 22 strategies, 48 national	Contains various initiatives such as the streamlining of regulatory requirements to respond to the digital economy and encourage innovative business models. The initiative focuses on adapting regulations to support the growth of the digital economy and encourage innovative business models. It includes streamlining regulatory requirements, reviewing existing	Initiative of “Enhancing cyber security awareness among businesses and society members” which aimed to raise the public’s confidence to go digital. This initiative includes the development of a multi-pronged and sustained cyber security awareness programme through a People-Private-Public Partnership

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		initiatives and 28 sector-specific initiatives to achieve its goals within the 10-year timeframe (2021-2030). It highlights the need for flexible regulations (“Agile Regulations”) to address challenges such as evolving technologies and new business models. One key focus is ensuring fair competition by streamlining pro-competition measures under its second thrust. MyDIGITAL Corporation, an agency under the Ministry of Digital, is responsible for implementing the blueprint. It is also aligned with other policies, such as the Personal	policies and competition laws, and using regulatory sandboxes to test new rules before full implementation. These efforts aim to ensure fair competition, improve market monitoring by regulators, and create a level playing field for businesses. It also promotes better alignment and interoperability between policies and regulations for more efficient implementation and enforcement.	approach, promoting platforms like the CyberSafe website, enhancing cyber security month activities, and strengthening law enforcement and governance. It also incorporates the development of guidelines for digital users, including consumer rights in commercial transactions. Netiquette modules as part of the national education curriculum

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		Data Protection Act and strategies for the Fourth Industrial Revolution (4IR). Several states, including Negeri Sembilan (Negeri Sembilan Digital Economy Blueprint 2027) and Sarawak (Sarawak Digital Economy Blueprint 2030), have introduced their own digital economy blueprints in line with the national plan.		will also be implemented. This blueprint also addresses cross-border data flows by promising that by 2025, all new trade agreements will incorporate cross-border data protection elements.
2	National 4IR Policy (N4IRP) by EPU under the <i>Ministry of Economy</i>	Comprehensive national framework aimed at guiding the use of 4IR technologies to enhance the country's socioeconomic development.	Introduces the initiative to develop critical 4IR-enabling infrastructure to enable wider application of 4IR technologies, as part of the strategy to strengthen digital	Introduces an ethics framework for technological development and deployment to ensure responsible use of 4IR technologies, specific

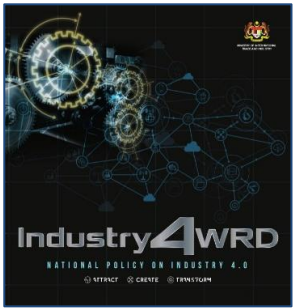
#	Policy	Description	Competition aspect	Data privacy and protection aspect
		It serves as a foundational document to various plans, including the RMKe-12 and the MDEB. The policy sets a timeframe of ten years (from 2021 - 2030) to improve the following, with 4IR technologies: 1. The <i>rakyat</i> to have an improved quality of life; 2. Businesses to become more productive, competitive and innovative through streamlined bureaucratic and policy processes; and	infrastructure, which will enable higher accessibility and adoption of companies towards 4IR technologies to promote healthy competition. Another part of this policy addresses the need to expand the digital marketplace for the underserved rural community to bridge the technology adoption gap.	legislation on cyber security and enhance personal data protection law, regulations and guidelines. This future-proofs the regulations, at the same time, improves the ease of doing business and safeguards the society's interests.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		3. Government to be technologically enabled and able to provide more efficient and effective public services. The policy will be realised through four policy thrusts, 16 strategies and 32 national initiatives. Similar to the MDEB, the N4IRP is being implemented by MyDIGITAL Corporation.		

Source: Secondary research and MyCC analysis

4.4.3 Related policies

Table 8: Related policies to the digital economy

#	Policy	Description	Competition aspect	Data privacy and protection aspect
1	National Policy on Industry 4.0 (Industry4WRD) by MITI 	Aims to facilitate the adoption of Industry 4.0 technologies across the manufacturing sector. This policy promotes the use of automation, AI and other advanced technologies to enhance productivity and competitiveness.	Indirectly addresses anti-competitive issues in the digital economy by supporting firms in overcoming challenges related to lack of awareness, adoption, and high investment costs. This is achieved through assessment platforms and tax-based incentives, which are particularly beneficial for SMEs, enabling them to compete more effectively with larger, more dominant players.	Highlights the importance of data integrity, security, and analysis as important areas to ensure seamless data flow across value chains. Also covers the need for centralised and easily accessible information to better help firms protect their data handling, ownership, and

#	Policy	Description	Competition aspect	Data privacy and protection aspect
				storage, ensuring compliance with relevant privacy and protection laws.
2	National E-Commerce Strategic Roadmap (NESR) <i>by MDEC under the Ministry of Digital</i> 	Launched in 2016, the NESR was implemented from 2017 to 2020 and guided by the National E-Commerce Council. With a supportive governance framework and infrastructure, it was aimed at accelerating the growth of e-commerce with focus on six strategic thrusts: Accelerate seller adoption of e-commerce.	No explicit mention/highlight of anti-competition. However, various programmes are aimed at enhancing the competitiveness of logistics providers and sellers. These efforts indirectly support a more vibrant and competitive digital economy, which may help mitigate anti-competitive concerns.	No explicit mention/highlight of data privacy and protection within its framework.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		Increase adoption of eProcurement by businesses. Lift non-tariff barriers, Realign existing economic incentives. Make strategic investments in selected e-commerce players. Promote national brand to boost cross-border e-commerce. NESR 2.0 was developed at the end of NESR 1.0 in 2020. Led by the NESR taskforce, this initiative is a nationwide collaborative	Key programmes include: • Improve Malaysia's regional performance and competitiveness in logistics • Enhance seller competitiveness and improve consumer trust and confidence through Institut Piawaian dan Penyelidikan Perindustrian Malaysia (SIRIM) Trusted Mark Scheme	

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		effort between the public and private sectors aimed at boosting Malaysia's e-commerce ecosystem from 2021 to 2025. The roadmap focuses on three guiding principles: 1. Intensify e-commerce adoption and growth 2. Enhance ecosystem development 3. Strengthen policy and regulatory environment		
3	JENDELA (National Digital Infrastructure Plan) by MCMC under the Ministry of Communications	Five-year national digital infrastructure plan, starting from September 2020 until 2025. It is aimed	Indirectly supports the digital economy by ensuring nationwide internet coverage, particularly	No explicit mention/highlight of data privacy and

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		at improving Malaysia's digital infrastructure by enhancing broadband connectivity and expanding access to high-speed internet across the country. By addressing connectivity issues, JENDELA supports the digital economy by enabling more Malaysians to engage in online activities.	through improvements in 4G connectivity in remote areas, fibre networks, and mobile broadband speeds. These efforts enable digital businesses to operate effectively while preventing potential exploitation of consumers. Additionally, the standardisation of electrical tariffs for communications services, aligned with industrial rates, helps create a level playing field among competitors. This prevents large companies from leveraging their financial advantages to negotiate lower electrical rates due to	protection within its framework.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
			their scale and purchasing power.	
4	National Industrial Master Plan (NIMP) 2030 by MITI 	The NIMP 2030 is a seven-year industrial policy aimed at enhancing the competitiveness and sustainability of Malaysia's manufacturing and manufacturing-related services sectors. It emphasises the integration of digital technologies, including automation, AI, and data-driven decision-making, to drive productivity and innovation. Specifically, chapter 6 of the plan focuses on the market structure of digital and ICT services,	Highlights the needs for companies to embrace digital transformation to improve productivity, create value, and spur innovation, especially for SMEs. Under Mission 2, the policy aims to streamline and modernise all interactions between the government and businesses, from start-up to operation, ensuring efficiency, transparency, and ease of doing business. These efforts will help businesses, especially SMEs, to lower their operational	Emphasises the need for a national digital platform for analytics and to facilitate data sharing and collaboration among stakeholders. Proposes using Generative AI in various industries such as healthcare and finance in line with parameters under the PDPA to ensure compliance

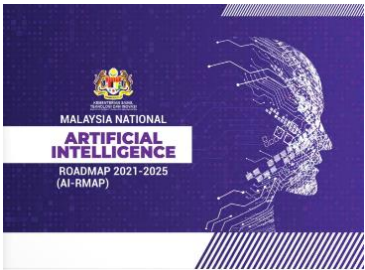
#	Policy	Description	Competition aspect	Data privacy and protection aspect
		recognising their critical role in supporting industrial growth. It outlines the need to strengthen the ecosystem for digital and ICT services by promoting fair market practices, supporting the entry of new players, and addressing issues related to market concentration and dominance. The chapter also highlights the importance of fostering collaboration between public and private sectors to develop a robust digital infrastructure that aligns with global standards.	costs and reduce barriers to entry. Under chapter 6, it highlights the need to address market concentration in digital and ICT services by promoting fair competition and reducing barriers for smaller players. It emphasises policies to foster innovation, support new entrants, and prevent anti-competitive practices. By ensuring a more balanced market structure, the plan aims to enhance opportunities for SMEs and encourage a dynamic and competitive digital economy.	with data protection laws.

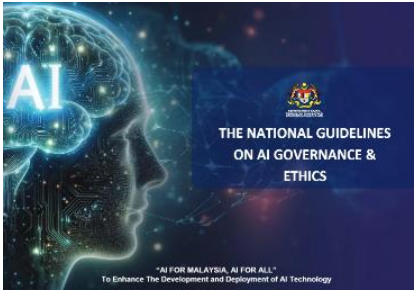
#	Policy	Description	Competition aspect	Data privacy and protection aspect
			The policy also focuses on workforce measures such as proposing a multi-tiered levy mechanism to support SMEs in upgrading their tech and to ensure supply chain resilience.	
5	Malaysia Cyber Security Strategy 2020-2024 (MCSS) by National Cyber Security Agency (NACSA) under the National Security	Aims to strengthen Malaysia's cybersecurity framework. It outlines strategic initiatives to protect the nation's critical	No explicit mention/highlight of anti-competition.	Includes implementing policies, procedures, and guidelines related

#	Policy	Description	Competition aspect	Data privacy and protection aspect
	<i>Council (NCS) of Prime Minister's Department</i> 	information infrastructure (CII), promote cybersecurity awareness, ensure the resilience of digital services against cyber threats and enhance public trust in digital services. It fosters a secure environment for online transactions and digital services and enhances consumer confidence in e-commerce and other online activities.	However, the initiative to ensure businesses are aware of data protection and strengthen cybersecurity leads to improved measures in safeguarding users' data. Not only will it ensure businesses are better equipped to protect their customers' information, enhancing overall data security and trust, but it will also encourage customers to engage with a wider range of businesses, further supporting a competitive and vibrant digital economy.	to data protection, public key infrastructure, and electronic information management. These efforts will be realised through the development of a data leakage protection mechanism, carried out under the National Cryptography Policy.
6	National Cloud Policy by <i>Ministry of Digital</i>	According to the Prime Minister's speech at Google's groundbreaking	No explicit mention/highlight of anti-competition.	Strengthening user trust and data security is one of

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		ceremony on October 2, 2024, the policy is set to be finalised in 2025 and designed to enhance Malaysia's digital ecosystem by fostering public service innovation, economic competitiveness, data security and inclusivity By modernising public services through cloud technology, it seeks to make government operations more accessible, responsive and transparent. The policy also supports economic growth by helping SMEs and startups	However, the policy aims to ensure that SMEs and startups enhance their cloud technology for innovation, operational efficiency, and access to global markets. This means these businesses will have the resources to innovate and improve their operations, allowing them to compete more effectively with larger companies indirectly.	the four core areas of the National Cloud Policy. Aims to establish robust security frameworks and protocols to protect sensitive data and critical infrastructure in both public and private cloud environments. This focus ensures that as digital adoption increases, user data remains secure, thereby fostering trust in digital services.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		adopt cloud technology, boosting their innovation and global reach. In addition, the policy emphasises user trust and data security, establishing safeguards across public and private sectors to protect sensitive information. Lastly, this policy promotes digital inclusivity, ensuring all Malaysians have access to digital services and bridging the digital divide for an equitable digital society.		
7	Malaysia Intelligence Artificial Roadmap	Aims to make Malaysia an AI-driven economy through six key strategies.	Highlights the need for Malaysian organisations to invest in digital platforms,	Highlights the need for companies to improve data

#	Policy	Description	Competition aspect	Data privacy and protection aspect
	2021 - 2025 (AI-RMAP) by MOSTI 	It establishes AI governance with policies, standards and a National AI Park to guide responsible growth. National and global R&D initiatives will also be initiated to boost innovation across sectors, while digital infrastructure upgrades to enhance AI accessibility. Talent development is also prioritised through education and reskilling programs to build a skilled workforce. Furthermore, AI awareness initiatives to promote AI adoption across industries and	such as hyper-scale intelligent cloud, rather than relying on traditional IT infrastructure, to maintain a competitive edge. Additionally, it aims to clarify the challenges of data sharing for AI implementations in the digital marketplace by developing clear data classification guidelines. This will promote responsible data sharing and collaboration, ensuring that data is exchanged fairly and transparently across the digital ecosystem.	governance to protect sensitive data and prevent data breaches whether through government guidelines, legal agreements / templates, or through new technologies such as Responsible AI etc.

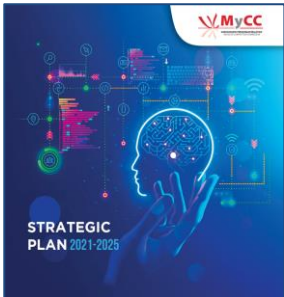
#	Policy	Description	Competition aspect	Data privacy and protection aspect
		create a sustainable AI innovation ecosystem with the AI-Catalyst Hub connecting government, academia, industry and society, will be carried out.		
8	National Guidelines on AI Governance & Ethics by MOSTI 	Aims to strengthen Malaysia's digital economy by promoting responsible, trustworthy AI aligned with Malaysia's National AI Roadmap (2021 - 2025). These guidelines are anchored in seven core principles (fairness, reliability, safety, privacy and security, inclusiveness, transparency, accountability and human-centred benefit).	Promotes responsible AI development, especially when it comes to promoting competition and preventing anti-competitive behaviour. Also proposes the development of national AI guidelines for policy makers, developers, designers, technology providers, and suppliers that will promote transparent, explainable, and fair AI practices.	Proposes consumer protection principles for AI, including the rights to information, to object, to be forgotten, and to interact with a human instead of AI, to collectively redress and be compensated. It also proposes synergistic implementation

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		By mitigating AI-related risks, this framework ensures equal distribution of AI's benefits and prioritises the well-being of citizens, while enhancing national productivity, driving economic growth and building a competitive edge. It also fosters public trust in AI technologies, maximising their value and ensuring fair, secure and transparent practices across sectors, enriching consumer experiences and advancing digital innovation.		with the National Cyber Security Agency to strengthen Malaysia's cyber defence and enhance its resilience against emerging AI-related threats.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
9	Malaysia Startup Ecosystem Roadmap (SUPER) 2021 - 2030 by MOSTI 	Aims to position Malaysia among the Top 20 global startup ecosystems by 2030. This objective will be realised through 16 strategic initiatives focused on five main thematic drivers. By nurturing a vibrant startup ecosystem, Malaysia aims to drive economic growth, create employment opportunities, and establish itself as a centre for innovation and entrepreneurship.	Outlines six critical interventions to foster a competitive startup environment, including the establishment of a regulatory sandbox - National Technology and Innovation Sandbox (NTIS), the promotion of open data, and the development of a startup-friendly legal framework. Such interventions are meant to provide a safe space for startups to test innovative products and services without the heavy burden of regulatory compliance, thereby promoting innovation and	No explicit mention/highlight of data privacy and protection.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
			innovation and competition within the ecosystem.	
10	Ministry of Domestic Trade and Cost of Living's (KPDN) Strategic Plan 2021-2025	Aims to strengthen domestic trade through value creation and digitisation, push for the adoption of innovation and technology to serve as companies' foundation and instil rational consumer behaviour	Details various strategic initiatives aimed at creating a conducive business environment that encourages innovation, the application of technology, and ethical best practices among local industry players.	Proposes strengthening the redress mechanism through the Tribunal of User Claims Malaysia (TTPM) and enhance user on their rights and

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		through empowering consumers and civil societies. The plan consists of five strategic thrusts, with a key focus on advancing domestic trade. To achieve this, the policy will encourage initiatives such as the increased usage of technology in businesses and strengthening of the business innovation ecosystem.	The plan also proposes the development of a technology-enabled supply chain aimed at enhancing supply chain effectiveness and optimisation, which could potentially reduce reliance on middlemen and mitigate the risk of monopolistic practices, particularly in e-commerce.	responsibilities. This will help users make more informed decisions regarding their data in a responsible manner. Additionally, the plan suggests optimising technology to provide efficient and appropriate services, including the development of a cyber-secure, cloud-based commercial environment that ensures data protection and

#	Policy	Description	Competition aspect	Data privacy and protection aspect
				security against cyber threats.
11	MyCC's Strategic Plan 2021-2025 	This Strategic Plan marks the commission's third five-year plan. With overall economic growth set to recover from the COVID-19 pandemic, it aims to support the country's recovery measures, growth of new economic sectors such as markets for e-commerce and innovation and promote environmental, social, and governance (ESG) agenda for businesses. As part of its strategic initiative, MyCC is conducting a	Ensures that businesses refrain from engaging in anti-competitive practices, such as cartels and abuse of dominant positions in the marketplace (including digital markets). Plan also includes to continue advise other sector regulators, ministries, and government agencies on competition-related policies to ensure consistency in the application of competition policy and law in the Malaysian markets.	No explicit mention/highlight of data privacy and protection.

#	Policy	Description	Competition aspect	Data privacy and protection aspect
		comprehensive market study on digital markets to enhance its understanding of the rapidly evolving digital economy. This in-depth analysis aims to identify potential competition concerns arising from the accelerated digitisation of businesses in Malaysia. The study underscores MyCC's commitment to adapting its regulatory approach in response to the changing market dynamics, ensuring fair competition in the digital landscape.	Additionally, it aims to expand and strengthen MyCC's cooperation and collaboration at both international and regional levels. With the goals established in this plan, the MyCC has decided to conduct market studies in the digital economy to better understand and identify potential competition issues, extending beyond the e-commerce sector to include other critical elements of digital markets.	

Source: Secondary research and MyCC analysis

4.5 Digital economy-related regulation

Malaysia's digital economy is supported by a regulatory framework that promotes innovation, protects consumer rights, and ensures data security. Although there is no specific act for the sector, 13 relevant laws can be considered as governing regulations for Malaysia's digital economy¹³⁸:

Table 9: Digital economy-related regulation in Malaysia

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
1	Competition Act 2010 (Act 712) by the MyCC under the Ministry of Domestic Trade & Cost of Living (KPDN) 	Aims to protect the competition process by prohibiting anti-competitive agreements such as price-fixing and the abuse of dominant position in the market. It is also to ensure fair business operations to improve quality, provide better choices and offer competitive	Relevant across all sub-sectors by ensuring fair business practices in pricing and service delivery.	Key legislation that establishes a legal framework to prevent and address business behaviours and activities that could harm competition in the market. Key provisions include: Section 4: Prohibition of horizontal and	Indirectly covers data privacy and protection in the context of preventing sensitive data sharing during investigations and proceedings, subsequently rights of action for relief for individuals.

¹³⁸ MyCC analysis.

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
		prices for goods and services.		vertical agreement; Section 10: Prohibition of abuse of dominant position.	Key provisions include: - Section 21: Protection of confidential information - Section 64: Rights of private action
2	Personal Data Protection Act 2010 (Act 709) by the JPDP under the Ministry of Digital 	Protects personal data in commercial transactions by regulating how personal information is collected, stored, and used. Personal data refers to any information about an individual, such as their name, address, contact details, and	Highly relevant to e-commerce and digital advertising, where personal data is widely used and processed. It ensures that consumers' personal data is treated with	Strict data protection requirements can limit data sharing and collaboration between companies, preventing larger companies from exploiting consumer's personal data for their own benefit (except for the purpose of credit reporting).	Strict guidelines for companies to adhere to ensure consumers' awareness and acknowledgement of having their personal data processed. Key provisions include:

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
		even sensitive data (e.g., physical and mental health condition, political opinions, religion beliefs, etc.). The act applies to data processed either automatically or as part of a relevant filing system, requiring data controllers and processors to protect this information to prevent misuse or abuse.	respect and protection.	Key provisions include: • Section 6: General principle of processing personal data • Section 8: Disclosure principle • Section 129: Transfer of personal data to places outside Malaysia	• Section 7: Notice and choice principle • Section 9: Security principle • Section 30: Right of access to personal data • Section 38: Withdrawal of consent to process personal data • Section 40: Processing of sensitive personal data • Section 43: Right to prevent processing or

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
					purposes of direct marketing • Section 130: Unlawful collecting etc. of personal data
3	Communications & Multimedia Act 1998 (Act 588) by MCMC under the Ministry of Communications 	Regulates the communications and multimedia industries and provides a legal framework for the development of the industries.	Relevant across all sectors by ensuring equitable access to communication and multimedia services.	Fosters a competitive market, encourages innovation and the introduction of new services and technologies; also prevents anti-competitive practices which aims to promote fair competition by regulating monopolistic behaviours.	Ensures that any inquiry or report excludes confidential information and prevents unlawful interception and disclosure of communications that may contain sensitive personal information. Key provisions include:

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				Key provisions include: • Section 133: Prohibition on anti-competitive conduct • Section: 135: Prohibition on entering into collusive agreements • Section 136: Prohibition on tying or linking arrangements • Section 137: Determination of dominant licensee • Section 138: Guidelines as to the meaning of	• Section 63: Confidential material not to be disclosed • Section 65: Report on an inquiry • Section 80: Publication of information • Section 211: Prohibition on provision of offensive content • Section 233: Improper use of network facilities or network service • Stion 234: Interception

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				“dominant position”	and disclosure of communications prohibited
4	Electronic Commerce Act 2006 (Act 658) by KPDN 	Ensure electronic transactions are as legally binding and enforceable as traditional paper-based counterparts.	Directly relevant to e-commerce, underpinning online transactions and digital marketplaces.	Indirectly promotes competition by lowering market entry barriers for new and small businesses, ensuring that electronic transactions are legally valid and enforceable. Key provisions include: Sections 6 - 7: Legal recognition of electronic message	Promotes some form of protection or steps, to ensure the integrity of information in its original form is protected and completely unaltered. Key provisions include: Section 12: Original

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				- Sections 8 - 16: Fulfilment of legal requirements by electronic means - Sections 17 - 24: Communication of electronic message	
5	Digital Signature Act 1997 (Act 562) by MCMC under the Ministry of Communications 	Ensures the validity and enforceability of digital signatures.	Particularly relevant for e-commerce and online transaction platforms.	Enables secure digital transactions, therefore indirectly lowers barriers to entry and promotes market participation by establishing trusted digital signature standards. Key provisions include:	Indirectly provides guidance to ensure that private keys are kept secure and that digital signatures are protected. Key provisions include:

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				- Sections 22 - 26: Requirements of licensed certification authorities - Sections 38 - 42: Representations and duties upon acceptance of certificate - Section 26: Requirements as to advertisement	- Sections 43 - 45: Control of private key - Sections 62 - 67: Effect of digital signature - Section 72: Obligation of secrecy - Section 73: False information
6	Consumer Protection Act 1999 (Act 599) by <i>KPDN</i>	Ensure fair trade practices, prevent exploitation and provide redress mechanisms for consumers.	Relevant to all sectors, especially e-commerce and digital advertising, protecting	Addresses consumer-related aspects of market competitions (e.g., misleading and deceptive practices, unfair trading), contributing to a	Includes some provisions covering protection of consumers' personal data.

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
			consumer rights.	comprehensive regulatory environment that supports both consumer rights and fair competition. Key provisions include: • Section 10: False or misleading representation • Section 12: Misleading indication as to price • Section 28: Defence of innocent publication of advertisement	Key provisions include: • Section 139: Use of confidential information

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
7	Postal Services Act 2012 (Act 741) by MCMC under the Ministry of Communications 	Pursuant to Section 12(1) of the Postal Services Act 2012, the licensing requirement under the Act does not apply to the categories specified in the First Schedule. As such, these categories fall outside the MCMC's jurisdiction for licensing, and any competition issues related to these categories will fall within MyCC's purview: 1. Trade announcements, circulars, printed extracts from	Particularly relevant to e-commerce logistics and delivery services.	Provides guidelines on anti-competitive conduct in the postal sector, with specific guidelines to be determined by MCMC to ensure fair competition and consumer protection. Key provisions include: • Section: 34: Postal financial services • Sections 36 - 37: Regulation of rates • Sections 38 - 48: General competition practices	Some form of acknowledgement that only authorised officers conducting search with a warrant can access computerised data. Key provisions include: • Section 81: Access to computerised data

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
		newspapers, or advertisements, without any name, address or other particulars of the recipient. 2. Postal articles delivered by an employee of the sender. 3. Postal articles delivered by a messenger on request by the sender specifically for that purpose, not being a person employed or engaged in the course of his business or employment in		Sections 49 - 56: Consumer protection	

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
		delivering or procuring the delivery of postal articles. 4. Postal articles exceeding two kilograms in weight per postal article. 5. Postal articles sent with the goods and delivered together with the goods. 6. Postal articles carried to or from a post office. 7. Postal articles carried in accordance with an agreement entered into by the licensee.			

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
		8. Transfers between document exchanges. 9. Electronic postal services. 10. Postal articles carried and delivered by a private friend without hire, reward or other profit. 11. Postal articles carried and delivered personally by the sender.			

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
8	Cyber Security Act 2024 (Act 854) by Ministry of Digital 	Provision of a legal framework safeguarding the nation's cyber defences and enhancing resilience against cyber threats. The Act also establishes the National Cyber Security Committee.	Relevant to all sectors reliant on digital transactions and communications.	Helps to protect consumer data, thereby enhancing trust and encouraging competition among businesses. Key provisions include: - Sections 25 - 26: Code of practice - Sections 27 - 34: Cyber security service provider	Guidelines on how companies with national critical information should conduct themselves or act in the event of a cyber-security breach. Key provisions include: - Section 21: Duty to implement code of practice - Section 22: Duty to conduct cyber security risk assessment and audit - Section 23: Duty to give

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
					notification on cyber security incident • Section 24: Cyber security exercise • Section 35: Cyber security incident
9	Financial Services Act 2013 (Act 758) <i>by BNM</i>  BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	Regulates financial institutions, payment systems and other relevant entities, as well as oversees money market and foreign exchange market to promote financial stability.	Relevant to mobile operating and payment systems, governing payment transactions.	Establishes a regulatory framework to promote the stability and integrity of the financial sector, indirectly fostering competition by ensuring consumer trust in financial institutions. Key provisions include:	Provides a framework to safeguard customer information by establishing obligations for financial institutions to ensure confidentiality and specify conditions for lawful disclosures, reinforcing data privacy and

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				- Sections 8 - 29: Authorization and registration - Sections 30 - 45: Payment systems - Section 124: Prohibited business conduct - Sections 135 - 139: Restrictions relating to consumer protection	protection within the financial sector. Key provisions include: Sections 131 - 134: Information and secrecy
10	Islamic Financial Services Act	Regulates Islamic financial institutions,	Relevant to mobile	Indirectly supports competition in the	Provides a framework for

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
	2013 (Act 759) by BNM  BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	payment systems, and other relevant entities, and oversight of the Islamic money market and Islamic foreign exchange market to promote financial stability and Sharia compliance.	operating systems, payment systems, and e-commerce in Islamic finance.	Islamic finance sector by ensuring fair and transparent operations in line with regulatory requirements, fostering innovation and consumer choice in financial services. Key provisions include: • Sections 8 - 26: Authorization • Sections 27 - 28: Shariah requirements • Sections 39 - 55: Payment systems • Section 136: Prohibited	safeguarding customer information in Islamic financial institutions by outlining obligations to maintain confidentiality and conditions for lawful disclosures, thereby reinforcing trust and compliance within the Islamic finance sector. Key provisions include • Sections 142 - 146: Information and secrecy

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				business conduct Sections 147 - 151: Restrictions relating to consumer protection	
11	Copyright Act 1987 (Act 332) <i>by MyIPO under KPDN</i> 	Governs the protection of original works, including literary, artistic, and software creations, detailing ownership, duration, and enforcement of copyright rights.	Relevant to e-commerce and digital advertising, regulating the use of creative works.	Protects creative works, thereby encouraging innovation and competition in the digital economy. Ensures businesses can safeguard their intellectual property, which is crucial for maintaining competitive advantages.	Prohibits unauthorised disclosure of information obtained under the Act, safeguarding sensitive data Key provision Section 52: Disclosure of information

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
				Key provisions include: • Sections 13 - 25A: Nature and duration of copyright • Sections 26 - 27 - Ownership and assignment of copyright - Sections 27A - 27L: Copyright licensing	
12	Computer Crimes Act 1997 (Act 563) by	Addresses cybercrimes such as unauthorised access, data breaches, and	Relevant to all sub-sectors by ensuring a secure digital	Enhances competition by reducing risks of data theft and sabotage, protecting	Protects against unauthorised access and manipulation of

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
	Ministry of Communications 	misuse of computer systems.	environment, particularly for e-commerce and digital advertising.	businesses from malicious attacks	personal and sensitive data. Key provisions include: • Section 3: Unauthorised access to computer material • Section 5: Unauthorised modifications of the contents of any computer
13	Electronic Government Activities Act 2007 (Act 680) by	Provides the legal framework for electronic government services,	Supports e-commerce by legitimising digital	Promotes a level playing field for businesses engaging in government	Ensures secure data handling in digital government transactions.

#	Act	Description	Relevance to the 4 sub-sectors	Relevance to competition	Relevance to data privacy and protection
	Ministry of Communications 	ensuring transparency and accountability in digital governance	processes in government interactions	tenders through e-platforms	Key provision includes: Section 7: Confidentiality and security in e-transactions

Source: Federal Legislation Portal Malaysia and MyCC analysis

Despite the above-mentioned policies and regulations provide a strategic direction for the digital economy, several potential gaps in the policy and regulatory landscape have been identified, including:

4.5.1 Lack of comprehensive digital economy framework

In Malaysia, there is currently no comprehensive framework specifically designed to regulate competition within the digital economy. Considering the uniqueness and rapid development of this industry, existing regulations may not be sufficient to address the potential challenges and complex dynamics it presents.

This situation is further complicated by the fragmented regulatory landscape across existing sub-sectors. Following table provides an overview of the various regulations governing the four sub-sectors:

Table 10: Key sub-sector regulations governing the sub-sectors' operations

Government's role	Coverage area	Mobile operating and payment system players	E-commerce marketplaces and logistics players	Digital advertising intermediaries	OTAs
Policy oversight	Sub-sector direction	-	KPDN: The Electronic Commerce Act 2006 provides the legal framework governing electronic transactions and online business activities in Malaysia. Amendment to the act is currently underway (as of August 2025). MDEC: The National E-Commerce Strategic Roadmap	-	MOTAC: The Tourism Industry Act 1992 covers the licensing and registration of tourism operators, travel agencies, tour guides, hotels, and other tourism-related businesses. Amendment to the act is underway to also cover digital platforms (as of August 2025).

Government's role	Coverage area	Mobile operating and payment system players	E-commerce marketplaces and logistics players	Digital advertising intermediaries	OTAs
			(NESR) aims to boost e-commerce adoption and drive digital trade growth.		
Operational oversight	Company licensing	SSM: Under the Companies Act 2016, SSM oversees company incorporation, registration, and statutory compliance.			
	Sub-sector operating license	No regulatory supervision by any ministry/agency.	MCMC: Under the Postal Services Act 2012, all logistics providers offering postal or courier services for items weighing 2 kg or less are required to obtain a license. MOT: Regulates postal or courier services for items weighing above 20 kg.	No regulatory supervision by any ministry/agency.	MOTAC: Under the Tourism Industry Act 1992, OTA and digital travel service operators with a physical office in Malaysia must obtain a Travel Operating Business and Travel (TOBTAB) license.

Government's role	Coverage area	Mobile operating and payment system players	E-commerce marketplaces and logistics players	Digital advertising intermediaries	OTAs
	Tax payment	LHDN: Under the Income Tax Act 1967, it oversees assessment, collection, and enforcement of income tax obligations for businesses (and individuals).			
		RMCD: Under the Service Tax (Digital Services) Regulations 2019, it imposes a 6% (increased to 8% in 2024) service tax on digital services provided by foreign service providers to Malaysian consumers.			
		MOTAC: Under the Tourism Tax Act 2017, it imposes a MYR 10 per night rate on foreign tourists, which in 2021 included bookings from digital platform service providers.			
	Consumer protection	KPDN: Under the Consumer Protection Act 1999, it safeguards consumer rights, ensuring fair trade, product safety, and protection against misleading practices.			
	Data privacy and protection	JPDP: Under the PDPA 2010, data controllers must ensure responsible handling of personal data—including collection, processing, and lawful cross-border transfers under specified conditions.			

Government's role	Coverage area	Mobile operating and payment system players	E-commerce marketplaces and logistics players	Digital advertising intermediaries	OTAs
	Competition	MyCC: Under the Competition Act 2010, it prohibits anti-competitive agreements and abuse of dominant position in the market.			
			MCMC: Under the Postal Services Act 2012, courier and logistics activities related to e-commerce fulfilment are regulated, including oversight of competition practices.		
	Dispute resolution (for businesses)	No regulatory supervision by any ministry/agency.			

Source: Federal Legislation Portal Malaysia and MyCC analysis

There are existing foreign regulations that specifically target the digital economy market, with a particular focus on efforts to regulate Big Tech companies. Developed countries and regions, such as the UK and the EU have made strides toward more proactive or ex-ante regulation for example the EU's DMA, introduced in 2022 and effective in 2023 and the UK's Digital Markets, Competition and Consumers (DMCC) Act, published in 2024 and already set into force in 2025.

Specifically, on the DMA, it aims to establish a framework for fair and competitive markets in the digital sector. It applies to all platforms operating in the EU, regardless of their physical location, with a particular focus on 'gatekeepers.' These are large online platforms that have a significant impact on digital markets, defined by¹³⁹:

- Either with an annual turnover of at least EUR 7.5 billion in the last three financial years or a market value of at least EUR 75 billion in the previous financial year and operations in at least three member states.
- Served more than 45 million monthly active end users.
- More than 10,000 yearly active business users during the last three years on a number of core platform services, such as social network, Number-Independent Interpersonal Communication Service (N-IICS), video sharing, intermediation, video sharing, search, browser, ads and operating system.

Consequently, as of May 2024, seven companies have been considered as gatekeepers, after being assessed and found to fulfill the criteria outlined in the act. The gatekeepers are Alphabet, Amazon, Apple, Booking, ByteDance, Meta and Microsoft¹⁴⁰. The DMA has set out some specific dos and don'ts for "gatekeepers" to abide by, as below:

Dos:

¹³⁹ European Commission (2023). Remarks by Commissioner Breton: Here are the first 7 potential "Gatekeepers" under the EU Digital Markets Act. https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_23_3674

¹⁴⁰ EU (2023). Gatekeepers. https://digital-markets-act.ec.europa.eu/gatekeepers_en

- Enable third-party integration with the gatekeeper's services under specific circumstances.
- Permit business users to access the data they generate while using the gatekeeper's platform.
- Equip companies advertising on their platform with the necessary tools and information for independent verification of their advertisements.
- Allow business users to promote their goods or services and establish contracts with customers outside of the gatekeeper's platform.

Don'ts:

- Favouring the gatekeeper's own services and products in rankings over similar offerings from third parties on the platform.
- Restricting consumers from connecting to businesses outside the gatekeeper's platform.
- Preventing users from uninstalling any pre-installed software or app (for instance, on a new smartphone).
- Tracking end users outside the gatekeeper's core platform service for targeted advertising without effective consent.

While regulation aims to improve market fairness, over-regulation can sometimes lead to unintended consequences. For example, the DMA requires platforms to provide third-party developers with equal access to certain functionalities, such as Apple's AirDrop and AirPlay¹⁴¹. While this may promote fairness, it can also discourage key players from continuing to innovate, creating a situation where it becomes more attractive to copy existing features rather than investing in the development of new solutions.

¹⁴¹ American Enterprise Institute (2025). The Digital Markets Act: Security and innovation challenges in tech regulation <https://www.aei.org/technology-and-innovation/the-digital-markets-act-security-and-innovation-challenges-in-tech-regulation/>

Furthermore, due to the extensive reach of these large companies, any regulation on them often affects other businesses as well. For instance, under the DMA, Google Search can no longer showcase its own vertical services such as Google Maps or Google Hotel Ads on search results, as these were deemed as "self-preferencing." As a result, when a Google user searches for hotels in Europe, they can no longer view key hotel details directly and easily in the search results, such as prices or locations^{142, 143}. Instead, users must click through to the preferred search result to view the information. According to Mirai¹⁴⁴, a hospitality digital marketing and technology solutions company, this change has led to an estimated 30% drop in clicks to hotel websites and a 36% decline in direct bookings.

A balanced regulatory approach is therefore essential to ensure market fairness without stifling innovation and impacting business growth.

4.5.2 Unclear jurisdictional boundaries between regulatory bodies

The legal infringement on anti-competitive or unlawful market practices in the digital market primarily fall under the purview of the MyCC. However, it may also extend to other regulatory bodies, such as the MCMC, Malaysian Aviation Commission (MAVCOM) and the Energy Commission.

While the Competition Act 2010 (Act 712)¹⁴⁵, administered by MyCC, serves as the primary law for competition issues across all sectors, other acts, such as the Postal Services Act 2012 (PSA)¹⁴⁶ and the Communications and

¹⁴² D-Edge (2024). The DMA is changing Google search, but not how hoteliers had hoped. <https://www.d-edge.com/the-dma-is-changing-google-search-but-not-how-hoteliers-had-hoped/>

¹⁴³ Google (2024). An update on our compliance with the DMA. <https://blog.google/around-the-globe/google-europe/dma-compliance-update/>

¹⁴⁴ Mirai (2024). DMA implementation sinks 30% of clicks and bookings on Google Hotel Ads. <https://www.mirai.com/blog/dma-implementation-sinks-30-of-clicks-and-bookings-on-google-hotel-ads/>

¹⁴⁵ The Competition Act also does not apply to the Petroleum Development Act 1974, which grants Petronas exclusive upstream rights for petroleum exploration, extraction, and initial control.

¹⁴⁶ MCMC (2024). Guidelines on dominant position (postal services industry). <https://mcmc.gov.my/skmmgovmy/media/General/Resources/Guidelines-on-Dominant-Position-Postal-Services-Industry.pdf>

Multimedia Act 1998 (CMA)¹⁴⁷ under MCMC, Malaysian Aviation Commission Act 2015 under MAVCOM and Energy Commission Act 2001 under EC also address competition concerns within their respective domains.

For example, in assessing the dominant position of a licensee or player, PSA and CMA consider a market share exceeding 40% in the postal and communication market as “high”, whereas MyCC considers a market share threshold of over 60%¹⁴⁸ as an indicator of a dominant enterprise in relation to general markets.

In 2023, MyCC and MCMC signed a memorandum of understanding (MoU) to address exclusivity arrangements between telecommunications service providers and property developers or building management companies in high-rise buildings, including residential complexes¹⁴⁹. While this collaboration does not yet focus on digital platforms, there is potential for further cooperation between the two agencies, as well as with other relevant ministries and agencies (e.g., JPDP), to harmonise regulatory frameworks.

At present, such situation creates a “substantive policy multiplicity¹⁵⁰”, where different focuses or approaches address the same issue or concern. As a result, potential inconsistencies may arise in how the issue is managed or regulated, leading to inefficiencies and confusion for businesses, as well as challenges for regulators in enforcement and compliance efforts.

In the realms of policies and roadmaps, the same challenges may persist where seemingly similar strategic initiatives with overlapping themes are

¹⁴⁷ MCMC (2014). Guideline on dominant position. <https://mcmc.gov.my/skmmgovmy/media/General/pdf/Commission-Guideline-on-Dominance-in-a-Communications-Market-Final.pdf>

¹⁴⁸ MyCC (2012). Guidelines on abuse of dominant position. Chapter 2: Prohibition, page 4. <https://www.mycc.gov.my/sites/default/files/pdf/newsroom/MYCC%20Guidelines%20Booklet%20BOOK2-6%20FA%20copy.pdf>

¹⁴⁹ MyCC (2023). MyCC and MCMC strengthen collaboration with MOU signing. <https://www.mycc.gov.my/announcement/mycc-and-mcmc-strengthen-collaboration-with-mou-signing>

¹⁵⁰ Kovaic, W (2025). Is it true that the big tech companies are being victimised?, page 19. MyCC Competition Law Symposium.

managed or steered by different ministerial bodies, which is particularly evident when it comes to new advanced technologies.

For example, Industry4WRD: National Policy on Industry 4.0 is governed by the MITI whereas National 4IR Policy (N4IRP) is governed by the Ministry of Economy. Similarly, AI-related matters fall mainly under the Ministry of Digital as it involves data but at the same time, addressing the risks and harms of AI requires involvement from the Ministry of Science, Technology, and Innovation. Unclear boundaries are also further pronounced when policies and legislative acts are embedded or referenced by one another, potentially creating challenges for businesses navigating the competitive landscape¹⁵¹.

4.5.3 Coverage on new developing technology

The PDPA 2010 (Act 709) by JPDP, serves as the Malaysia's main form of legislation that regulates the processing of personal data in commercial transactions. However, it has faced challenges in addressing the complexities introduced by emerging technologies such as AI and ML. These technologies often function as "black box (where internal processes are not transparent or easily understood)", which complicates compliance with PDPA's requirements for transparency and accountability, which are critical for fostering trust and competition in the digital economy.

Some of the risks involved in trying to regulate new technologies alongside PDPA include:

- Overregulation that is excessively implemented could stifle innovation and growth within the industry and hinder development for new technologies.
- Compliance burdens as companies may face significant compliance costs to meet the requirements of the act, which could deter smaller companies from entering the market and increase operational costs for existing businesses.

¹⁵¹ Tech for Good Institute (2024). Shaping the digital future: Regulatory updates from Malaysia. <https://techforgoodinstitute.org/blog/expert-opinion/shaping-the-digital-future-regulatory-updates-from-malaysia/>

- Legal ambiguities should the definitions be unclear and misunderstood may result in additional precaution by companies to navigate these complexities and could lead to less competitive market behaviour as businesses err on the side of caution to avoid legal pitfalls.
- Flexibility challenges because as new technology continues to evolve, so will the regulations to remain effective, which requires balancing innovation with compliance to prevent market distortions.
- Implementation risks as regulation may disproportionately affect players in the industry depending on how well regulators understand the market structure and competitive dynamics.

4.5.4 Coverage on existing data protection regulation

In 2013, an additional requirement was introduced under the PDPA, mandating that specific classes of data users register as “data users”. However, this requirement excluded foreign companies from mandatory registration. While the JPDP encourages foreign companies to comply voluntarily, enforcement remains challenging due to limited resource. Furthermore, the PDPA only applies to personal data processed for commercial transactions, exempting government entities (largest data processors in Malaysia) and not covering data processed outside Malaysia. These limitations created gaps in the legal framework.

To address various gaps and align with international standards, Malaysia introduced the PDPA (Amendment) Act 2024. Key amendments include:

- **Data Transfer Abroad:** Effective 1 April 2025, data controllers can transfer personal data outside Malaysia if the destination has laws substantially like PDPA or ensures an adequate level of protection equivalent to the PDPA.
- **Mandatory Data Protection Office (DPO) Appointment:** Starting 1 June 2025, data controllers and processors engaged in large-scale data processing must appoint a DPO. The DPO will oversee

compliance with PDPA requirements, ensuring the data protection measures are effectively implemented.

- **Data Portability Rights:** Effective 1 June 2025, data subjects gain the right to request the transfer of their personal data from one data controller to another, provided the transfer is technically feasible and compatible with existing data formats. This empowers individuals with greater control over their personal data.

The reliance or co-regulation alongside PDPA extends to national and digital-related policies, such as the MDEB. These policies often reference the PDPA to address data privacy and protection without elaborating on the necessary boundaries and coverage. For instance, under Strategic Thrust 4: Strengthen Cross-Border Data Transfer Mechanisms and Protection, the blueprint mandates both the Ministry of Communications and MITI to co-lead efforts in establishing cross-border data transfer provisions. This initiative aims to facilitate seamless data flows while maintaining adequate levels of protection¹⁵².

The PDPA (Amendment) Act 2024, particularly in section 129, complements this by removing the whitelist regime for cross-border transfer. While this amendment aligns the PDPA with international practices, its implementation relies heavily on collaboration between regulators, such as MCMC, MITI, and the JPDP. Furthermore, national policies often incorporate the PDPA without clearly defining its boundaries or specifying how co-regulation should function in practice. This lack of clarity can result in fragmented enforcement and inconsistent application of data protection measures, particularly when addressing emerging technologies and cross-border data transfer. The absence of unified approach could hinder Malaysia's efforts to establish itself as a secure and competitive digital economy.

¹⁵² Ministry of Economy (2019). Malaysia Digital Economy Blueprint, page 60. <https://ekonomi.gov.my/sites/default/files/2021-02/malaysia-digital-economy-blueprint.pdf>

4.5.5 Lack of coverage on key players

Certain key players in the identified sub-sectors are not covered by the relevant regulatory framework. For example:

E-commerce (retail marketplace): Merchants on the platform are not obligated to be Suruhanjaya Syarikat Malaysia- (SSM) certified. They can register as individual sellers using a valid personal identification document, which means they are not subject to the Companies Act 2016.

OTAs: While the Tourism Industry Act 1992 mandates licensing for all travel agencies operating in Malaysia, only a few OTAs are licensed as of December 2024¹⁵³:

- Malaysia Airlines Holidays Sdn Bhd
- AirAsia.Com Travel Sdn Bhd
- Global Airlines Holiday Sdn Bhd (airpaz.com)
- Traveloka Sdn Bhd
- BEX Travel Malaysia Sdn Bhd (expedia.com)
- Klook Travel Technology Sdn Bhd
- Ctrip International Travel Malaysia Sdn Bhd (trip.com)

Furthermore, when it comes to policy and roadmap objectives and strategic initiatives, a lack of definition of relevant players has led to low adoption rates of digital adoption especially amongst SMEs and low outreach efficacy of suitable programmes by the responsible agencies. For instance, inadequate clarity regarding the obligations and rights of SMEs in relation to data governance under the PDPA may hinder their ability to comply effectively and leverage support programmes. Examples include

¹⁵³ MOTAC (2025). List of travel operating business and travel (TOBTAB). <https://www.motac.gov.my/en/check/tobtab>

the lack of awareness amongst eligible SMEs regarding schemes such as MSME Digital Grant and Smart Automation Grant under Madani policy¹⁵⁴.

4.5.6 Regulation of foreign participation in unregulated service sector

The “Guidelines on Foreign Participation in Distributive Trade Services in Malaysia 2010” introduced by the Ministry of Domestic Trade and Cost of Living (KPDN)¹⁵⁵, aims to regulate various activities in the distributive trade sector. The guidelines originally required businesses with more than 50% foreign equity to obtain prior approval from KPDN.

However, the 2020 update¹⁵⁶ to the guidelines shifted the approach from mandatory approvals to a more flexible framework, where obtaining KPDN’s approval is now encouraged and recommended rather than strictly mandatory¹⁵⁷. This change potentially allows foreign digital players to operate without formal approval, particularly if they structure their operations to avoid meeting regulatory thresholds that would trigger approval requirements.

This is particularly relevant for digital platform operators who may not have a physical presence in Malaysia but still serve Malaysian consumers.

Additionally, some local businesses can operate in Malaysia without being incorporated locally, which bypasses the Companies Act 2016. This further complicates enforcement and leaves certain sectors unregulated.

¹⁵⁴ The Malaysian Reserve (2024). Are Malaysian SMEs falling behind in the digital age? <https://themalaysianreserve.com/2024/07/10/are-malaysian-smes-falling-behind-in-the-digital-age/>

¹⁵⁵ Ministry of Domestic Trade, Co-operatives and Consumerism (2010). Guidelines on foreign participation in the distributive trade services Malaysia (Amendment) 2010. https://jkt.kpkt.gov.my/wp-content/d/sites/default/files/2022-02/Bil_3_Lampiran_1.pdf

¹⁵⁶ Ministry of Domestic Trade and Consumer Affairs (2020). Guidelines on Foreign Participation in Distributive Trade Services in Malaysia 2020. https://www.kpdnhep.gov.my/ms/images/dokumen/perdagangan/perdagangan-pengedaran/FINAL_GP_2020.pdf

¹⁵⁷ An administrative refresh of the guidelines was published in 2023, with no changes made; Ministry of Domestic Trade and Cost of Living (2023). Guidelines on foreign participation in distributive trade services in Malaysia. <https://www.kpdn.gov.my/images/muat-turun/gp-2022-1.pdf>

MCMC's Application Service Provider Class

Recognising these challenges, regulatory authorities are gradually taking steps to address the challenge of jurisdictional boundaries. For instance, in August 2024, the MCMC introduced a new regulatory framework. This requires selected locally incorporated applications service providers¹⁵⁸ in the areas of internet messaging (internet messaging service) and social media (content-sharing media platform) with eight million or more registered users to register for an Application Service Provider Class (ASP (C)) License by 1 January 2025. A grace period of five months from the Gazettement date (1 August 2024) was provided to all eligible providers to apply for the license and comply with the requirements. Full effect of the license took place on 1 January 2025.

The move sees selected providers required to comply with the license conditions, CMA 1998 and its subsidiary legislations (licensing regulations, licensing and exemption order and universal service provision regulations) and PDPA 2010¹⁵⁹.

It also allows the government to take proportionate measures based on risk assessments to address online harms, particularly online harms such as scams, cyberbullying, and sexual exploitation of minors. As of December 2024, the Malaysian government identified eight platforms that must obtain a license: WhatsApp, Facebook, Instagram, X, YouTube, Telegram, WeChat, and TikTok¹⁶⁰. Additionally, a code of conduct outlining best practices was published¹⁶¹ on 20 December 2024, following the public

¹⁵⁸ Broad definition of “Applications Service Providers” under the CMA 1998 - person who provides an Applications Service ; PDP (2017). The personal data protection code of practice. <https://www.pdp.gov.my/ppdpv1/wp-content/uploads/2024/07/KOD-TATA-AMALAN-PERLINDUNGAN-DATA-PERIBADI-UNTUK-SEKTOR-KOMUNIKASI-ENGLISH-VERSION.pdf>

¹⁵⁹ MCMC (2024). Frequently asked questions (FAQ) on the regulatory framework for internet messaging service and social media service providers in Malaysia, page 3. <https://www.mcmc.gov.my/skmmgovmy/media/General/pdf2/FAQ-for-Regulatory-Framework.pdf>

¹⁶⁰ New Straits Times (2024). Govt names 8 platforms that must obtain license. <https://www.nst.com.my/news/nation/2024/12/1150721/govt-names-8-platforms-must-obtain-licence>

¹⁶¹ MCMC (2024). Code of conduct (best practice) for internet messaging service providers and social media service providers. https://www.mcmc.gov.my/skmmgovmy/media/General/Resources/MCMC_Code-of-Conduct-Best-Practice-for-Service-Providers.pdf

consultation report on the draft code released on 18 December 2024¹⁶², and a public consultation session held in October 2024¹⁶³. The code will undergo periodic reviews to ensure its relevance and effectiveness in addressing emerging online issues¹⁶⁴.

As of 10 March 2025, three service providers have been successfully registered under the ASP(C) licence regime, namely (1) WeChat, (2) TikTok and (3) Telegram. According to MCMC, X is not required to register as its number of Malaysian users does not meet the 8 million user threshold stipulated under the regulatory framework. YouTube has contested its classification, highlighting that it functions primarily as a video-sharing platform, not a social media service¹⁶⁵.

In the case of Facebook, WhatsApp and Instagram, a ministerial notice pursuant to subregulation 23(2) of the Communications and Multimedia (Licensing) Regulations 2000 has been issued on 28 January 2025. The notice permits the two foreign companies under Meta to apply for registration as ASP(C) licensees. As of June 2025, the companies are in the process of preparing and submitting the required documents and information¹⁶⁶.

In view of the rapid evolution of technology and increasing convergence of digital services, MCMC further noted that it may expand the scope of the Regulatory Framework under the CMA 1998 to other services in the future. Naturally, prior to any such expansion, a comprehensive study taking into consideration existing legal frameworks, jurisdictional boundaries, risk assessment and potential impact on the broader digital ecosystem will take place¹⁶⁷.

¹⁶² MCMC (2024). Public consultation report on the draft code of conduct (best practice) for internet messaging service providers and social media service providers. https://www.mcmc.gov.my/skmmgovmy/media/General/PressRelease/MCMC_Public-Consultation-Report-on-Draft-Code-of-Conduct-Best-Practice-for-Service-Providers-18122024.pdf

¹⁶³ Malaysia Kini (2024). MCMC releases social media code of conduct public consultation report. <https://www.malaysiakini.com/news/729345>

¹⁶⁴ The Star (2024). MCMC publishes code of conduct for internet and social media providers. <https://www.thestar.com.my/news/nation/2024/12/20/mcmc-publishes-code-of-conduct-for-internet-and-social-media-providers>

¹⁶⁵ Written response from MCMC.

¹⁶⁶ Written response from MCMC.

¹⁶⁷ Written response from MCMC.

As Malaysia continues to navigate the complexities of the digital economy, it is essential for regulators, businesses, and other stakeholders to collaborate in creating a competitive, fair and secure digital environment that benefits all Malaysians. Thus, addressing these regulatory gaps, enhancing cooperation among regulatory bodies, and focusing on the regulation of emerging technologies will further strengthen the framework, ensuring it remains robust and responsive to the dynamic digital landscape.

4.6 Digital economy-related taxation

Taxation of digital economy companies in Malaysia is governed by four main regimes:

Table 11: Digital economy-related tax regimes in Malaysia

Tax	Applicable party	Rate as of June 2025	Responsible ministry/agency
Service tax on digital services (SToDS) ¹⁶⁸	Foreign digital service providers with > MYR 500,000 annual sales to Malaysian consumers (known as Foreign Registered Person - FRP)	8%	Royal Malaysian Customs Department (RMCD)
Withholding tax (WHT) ¹⁶⁹	- Malaysian businesses paying non-resident entities or individuals (e.g., foreign companies). - Payments specified to following areas only: Contract payments: services performed outside Malaysia under contract Interest payments Royalty payments: Intellectual Property (IP) rights, software, and digital advertising	10-15%	LHDN

¹⁶⁸ RMCD (2025). MySToDS. <https://mystods.customs.gov.my/about-mystods>; RMCD (2018). Service tax (Rate of digital services tax) (Amendment) order 2024. <https://mystods.customs.gov.my/storage/app/media/pdf/legislation/7-pua-67-2024-service-tax-rate-of-digital-services-taxamendment-2024.pdf>

¹⁶⁹ LHDN (2025). Withholding tax. <https://www.hasil.gov.my/en/legislation/withholding-tax/>

Tax	Applicable party	Rate as of June 2025	Responsible ministry/agency
	– Special classes of income: Services, technical advice, or rental of movable property performed in Malaysia – Non-resident public entertainers: Remuneration paid to public entertainers – Others: All other payments to non-resident individuals)		
Sales & service tax (SST) ¹⁷⁰	• Service: applies to imported B2B services if not already covered under SToDS • Sales: applies to imported digital goods (e.g., electronics) or digital hardware.	5-10%	RMCD
Sales tax - Low Value Goods (LVG) ¹⁷¹	• Foreign sellers of imported goods < MYR 500 per shipment to Malaysian consumers (sold online and delivered via land, sea or air mode)	10%	

Source: MyCC analysis

¹⁷⁰ RMCD (2025). FAQs services tax. <https://mysst.customs.gov.my/FAQServicesTax>; RMCD (2025). Guidelines for the transition of sales tax rate changes effective on 1 July 2025. <https://mysst.customs.gov.my/assets/document/Industry%20Guides/GI/GUIDELINES%20FOR%20THE%20TRANSITION%20OF%20SALES%20TAX%20RATE%20CHANGES.pdf>

¹⁷¹ RMCD (2023). Sales tax on low value goods. <https://mylvg.customs.gov.my/Home?utm>

While the overall framework is comprehensive, including provisions for cross-border transactions, several broad issues are observed:

4.6.1 Unclear enforcement

While Malaysia has legislated digital tax rules through mechanisms such as the SToDS, enforcement remains unclear, especially against non-resident digital platforms. As of 2021, there are no reported SToDS-related matters¹⁷².

Foreign service providers with no physical presence in Malaysia can choose to not comply with local tax obligations, knowing enforcement is logistically difficult. Should this occur, this will leave local businesses the burden to absorb the tax.

At present, voluntary registration remains the primary compliance approach for foreign service providers. In cases of non-compliance, experts have recommended that authorities to block access to non-compliant platforms through Internet Protocol (IP) restrictions as a potential enforcement measure¹⁷³.

4.6.2 SME compliance

SMEs may face complex and fragmented compliance obligations, dealing with multiple layers of indirect taxes: SToDS (paid by foreign vendors), withholding tax (borne by SMEs), and SST (on local services). Many SMEs may lack the internal tax expertise or financial capacity to correctly classify digital transactions, determine taxability, and manage cross-border withholding and service tax obligations¹⁷⁴.

¹⁷² International Tax Review (2021). The evolving world of Malaysia's digital services tax <https://www.internationaltaxreview.com/article/2a68rfy5bw2ycq1zyexto/the-evolving-world-of-malaysias-digital-services-tax>

¹⁷³ The Edge (2019). The state of the nation: The digital tax conundrum. <https://theedgemalaysia.com/article/state-nation-digital-tax-conundrum>

¹⁷⁴ Business Today (2024). SMEs warned of tax compliance issues amid digital waves. <https://www.businesstoday.com.my/2024/12/08/smes-warned-of-tax-compliance-issues-amid-digital-waves>

4.6.3 Profit taxation gap

Despite the introduction of indirect tax mechanisms such as the SToDS and WHT, Malaysia currently lacks a direct tax regime that effectively captures the profits earned by foreign digital companies from Malaysian consumers. Under existing income tax framework, a non-resident entity is only subject to Malaysian income tax if it has a permanent establishment (PE) in the country¹⁷⁵.

To address this gap, Malaysia has joined the global tax reform effort under the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 initiative¹⁷⁶, which consists of two pillars:

- **Pillar One** aims to reallocate taxing rights to market jurisdictions, allowing countries to tax a share of the profits of large multinational enterprises, even if those companies have no physical presence in the country. As of June 2025, Malaysia has yet to enact legislation to implement Pillar One's digital nexus and profit reallocation rules.
- **Pillar Two** introduces a global minimum effective tax rate of 15% for large MNEs (those with annual global revenues exceeding EUR 750 million¹⁷⁷) to discourage profit shifting to low- or no-tax jurisdictions. As of January 2025, Malaysia has implemented the Global Minimum Tax (GMT) regime, reflecting the core elements of Pillar Two¹⁷⁸.

¹⁷⁵ LHDN (2025). Non-resident company. <https://www.hasil.gov.my/en/company/non-resident-company/>

¹⁷⁶ OECD (2025). Base erosion and profit shifting (BEPS). <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html>

¹⁷⁷ OECD Pillars (2023). Minimum tax implementation handbook (Pillar Two), page 9. <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/minimum-tax-implementation-handbook-pillar-two.pdf>

¹⁷⁸ LHDN (2025). What is Malaysia's position on GloBE Rules? <https://www.hasil.gov.my/en/international/global-minimum-tax-gmt/what-is-malaysia-s-position-on-gmt/>

4.7 Malaysia's digital economy and competition

Similar to the global landscape, anti-competitive cases and allegations are on the rise in Malaysia. Since 2023, a number of public complaints were raised to MyCC, of which majority is related to unfair trading conditions on suppliers and customers, such as inability to choose courier providers, unreasonably withholding or releasing money, and unfair operational policies.

Additionally, complaints related to limiting market access such as restricting users who favour overseas sellers in e-commerce and restricting access to the platform despite having required documentation were raised.

Aside from public complaints, various formal allegations and actions have been taken in recent years:

Table 12: Digital economy-related anti-competition cases in Malaysia

#	Year	Relevant sub-sector	Parties	Details
1	2015	Online trade	• MyCC • Dagang Net	MyCC investigated and found that Dagang Net had abused its dominant position in the provision of trade facilitation services in Malaysia under the National Single Window (NSW) system. The abuse involved imposing an exclusivity clause in the MyChannel Partner Agreement (MCPA) with software providers over 2015 - 2016, preventing them from providing similar services for the upcoming uCustoms system and by refusing to supply electronic mailboxes to non-complaint end users. In the end, the MyCC, pursuant to section 40(4) of the Competition Act 2010 imposed a financial penalty of MYR 12,878,094.97 (later reduced to MYR 10,302,475.98 in consideration of COVID-19) for an infringement period of October 2015 to November 2017. It also directed Dagang Net to cease its anti-competitive practices and required its directors and senior management executives to enrol in a competition law compliance program¹⁷⁹.

¹⁷⁹ MyCC (2024). Case. <https://www.mycc.gov.my/case>

#	Year	Relevant sub-sector	Parties	Details
2	2016	Government services	• MyCC • MyEG	MyCC found MyEG guilty of abusing their dominant position in the sale of mandatory insurance for online <i>Pas Lawatan Kerja Sementara</i> (PLKS) renewal applications in Peninsular Malaysia by imposing different conditions on equivalent transactions, thereby harming competition in the downstream market for such insurances. MyEG made it mandatory for employers to purchase Foreign Workers Insurance Guarantee (FWIG) through its platform and induced them to buy other mandatory insurances from MyEG by creating additional steps and delays for those who chose other insurers. This led to significant increase in MyEG's market share and commissions, putting competitors at a disadvantage. As a result, MyEG was fined a total of MYR 9,644,700 and directed to cease these anti-competitive practices immediately, provide an efficient gateway for all competitors within 60 days, and comply with General Insurance Association of Malaysia's (PIAM) rules and regulations or risk paying higher penalties¹⁸⁰.

¹⁸⁰ MyCC (2024). Case. <https://www.mycc.gov.my/case>

#	Year	Relevant sub-sector	Parties	Details
3	2021	E-commerce (retail marketplace)	• The Federation of Malaysian Consumers Associations (FOMCA) • Consumers' Association of Penang (CAP) • MyCC • Shopee	In 2021, FOMCA and CAP urged MyCC to investigate Shopee for allegedly offering MYR 3,000 in vouchers to sellers for discounts on service fees to close their Lazada stores during the 9/9 sale event, arguing that this stifles competition and unfairly attracts sellers to Shopee. The allegations were based on a leaked WhatsApp conversation from 2020¹⁸¹.
4	2022	E-commerce (retail marketplace)	• MyCC • Shopee	MyCC engaged with Shopee in response to escalating complaints from consumers and merchant's about Shopee's practices concerning dissatisfaction with its first and last mile delivery services. The engagement aimed to gain a better understanding of the online marketplace and logistics industries and to inquire into Shopee's practices that raised concerns.

¹⁸¹ FOMCA (2021). Consumer groups call on MyCC to probe e-commerce giant. <https://www.fomca.org.my/v1/index.php/fomca-di-pentas-media/fomca-di-pentas-media-2021-21/1350-consumer-groups-call-on-mycc-to-probe-e-commerce-giant>

#	Year	Relevant sub-sector	Parties	Details
				Shopee was required to justify its conduct and provide a detailed plan by the end of October 2022 on how it will address these issues without further jeopardising user interests. This has led to MyCC to continue monitoring other industry players in the relevant market and consider enforcing legal action if necessary to ensure a conducive environment for users in the digital economy¹⁸².

Source: MyCC and FOMCA

¹⁸² MyCC (2022). Shopee to respond to MyCC's enquiries. <https://www.mycg.gov.my/sites/default/files/pdf/newsroom/NEWS%20RELEASE%20-%20SHOPEE%20TO%20RESPOND%20TO%20MyCC%E2%80%99S%20ENQUIRIES.pdf>

On data privacy and protection-related cases, several recent accounts of data breach allegations and investigations (data protection related) in Malaysia have been made over the past few years including:

Table 13: Data privacy and protection-related cases in Malaysia

#	Year	Relevant sub-sector	Parties	Details
1	2022	E-commerce (retail marketplace)	Shopee online user	An online user claimed that there were various listings on Shopee offering personal data for sale. One listing allegedly offered a million phone numbers for MYR 18, while another offered phone numbers of ‘online shopping addicts’ for MYR 15, among several others. Shopee had responded and stated that it is planning to take action against these sellers and has removed and blacklisted these listings as a start ¹⁸³ .
2	2022	E-commerce (C2C marketplace)	- Carousell - Online users	Around 2.6 million Carousell users from Malaysia and Singapore were subjected to a data breach where the stolen data was sold online for USD 1,000. Information relating to usernames, full names, email addresses, phone numbers, and more were publicly listed posted online by the hackers.

¹⁸³ The Star (2024). Netizens express concern over online sales of Malaysian phone numbers (Updated with Shopee’s response). <https://www.thestar.com.my/tech/tech-news/2022/03/18/netizens-express-concerns-over-online-sales-of-malaysian-phone-numbers>

#	Year	Relevant sub-sector	Parties	Details
				As a result, Carousell contacted all affected users and advised them to look for phishing emails or Short Message Service (SMSes) and to ignore any communications that request for sensitive information ¹⁸⁴ .
3	2022	Payment gateway	• iPay88 • Online users	Payment gateway iPay88 for e-commerce and retail encountered a cybersecurity incident after its customers' card data from online transactions was compromised. As a result, banks were notified to immediately notify affected cardholders of the additional protective measures that will be taken to further protect them against risks of fraudulent or unauthorised transactions¹⁸⁵.

Source: MyCC, The Star, Malay Mail and The Straits Times

¹⁸⁴ The Straits Times (2022). Data of alleged 2.6m Carousell users being sold on Dark Web, hacking forums. <https://www.straitstimes.com/singapore/data-of-alleged-26m-carousell-accounts-being-sold-on-dark-web-hacking-forums>

¹⁸⁵ Malay Mail (2022). Major data breaches in Malaysia in the past 24 months. <https://www.malaymail.com/news/malaysia/2022/12/31/major-data-breaches-in-malaysia-in-the-past-24-months/47722>

As the local digital economy continues to evolve, the need for a deeper understanding of market dynamics by regulators will grow. This, in turn, will require more efficient governance to effectively address emerging anti-competitive challenges specific to each sub-sector, as demonstrated by the above cases or allegations.

5. Sub-sector deep dive

5.1 Online travel agencies (OTAs)

5.1.1 Study scope

OTAs are digital platforms that facilitate the booking of travel-related services by connecting travellers with various service providers across the travel ecosystems. These platforms let users search, compare, and book travel options like accommodations, flights, and travel packages, making trip planning easier and more efficient¹⁸⁶.

This market review focuses specifically on accommodation-related OTAs, which specialise in connecting travellers with lodging providers such as hotels and hostels. It excludes alternative accommodations such as homestays, vacation rentals, and properties booked through direct channels. Accommodation-focused OTAs enable users to filter lodging options based on criteria such as price, location, amenities, and guest reviews, simplifying the process of finding accommodations tailored to individual preferences. These platforms typically operate on a commission-based model, charging lodging providers a fee for each booking. This model incentivised properties (hotels) to leverage OTAs to gain visibility and reach a broader, global audience. Additionally, OTAs offer value-added features such as integrated third-party payment systems and customer service support, further enhancing the booking experience for travellers.

While there are other types of OTAs cater to different segments of the travel industry, they fall outside the scope of this review, including:

- **Flight bookings:** OTAs such as AirAsia MOVE and Traveloka enable users to compare and book airline tickets from various carriers.

¹⁸⁶ The definition of OTA differs from the official interpretation by the Ministry of Tourism, Arts, and Culture (MOTAC). According to MOTAC, OTAs specifically refer to online travel agencies that operate in Malaysia without a physical presence. In contrast, travel agencies that are registered with SSM, maintain a physical office in Malaysia, and possess a valid Tour Operating/Travel Agency Business (TOBTAB) license are classified as Digital Platform Service Providers (DPSPs).

- **Travel Experiences:** OTAs such as Tourplus and LokaLocal provide access to tours, attractions, and activities, catering to travellers seeking curated experiences.

The activities of the OTA sub-sector impact the following MSIC industries:

Table 14: MSIC codes relevant to the OTA sub-sector

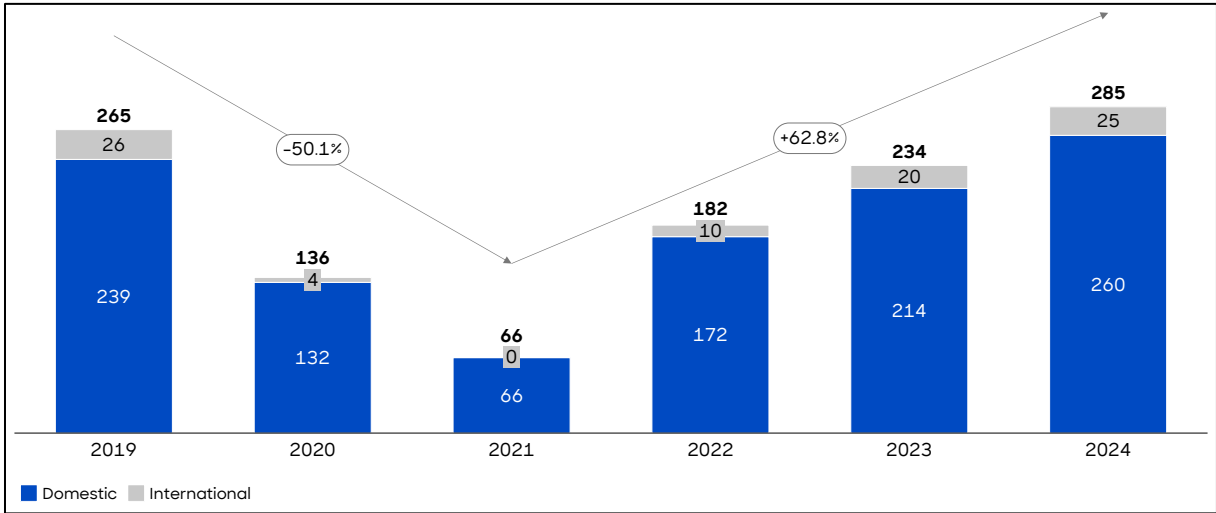
MSIC Code	MSIC Industry Description
55101	Hotels and resort hotels
55012	Motels
55013	Apartment hotel
55104	Chalets
55105	Rest house/ guest house
55106	Bed and breakfast units
55107	Hostels
55108	Home stay
55109	Other short term accommodation activities n.e.c.
55220	Camping grounds, recreational vehicle parks and trailer parks
55900	Other accommodation
63112	Data processing activities
79110	Travel agency activities

Source: MSIC

5.1.2 Market structure and supply chain

5.1.2.1 Market structure

Figure 24: International and domestic tourists in Malaysia, 2019-2023
[million]¹⁸⁷

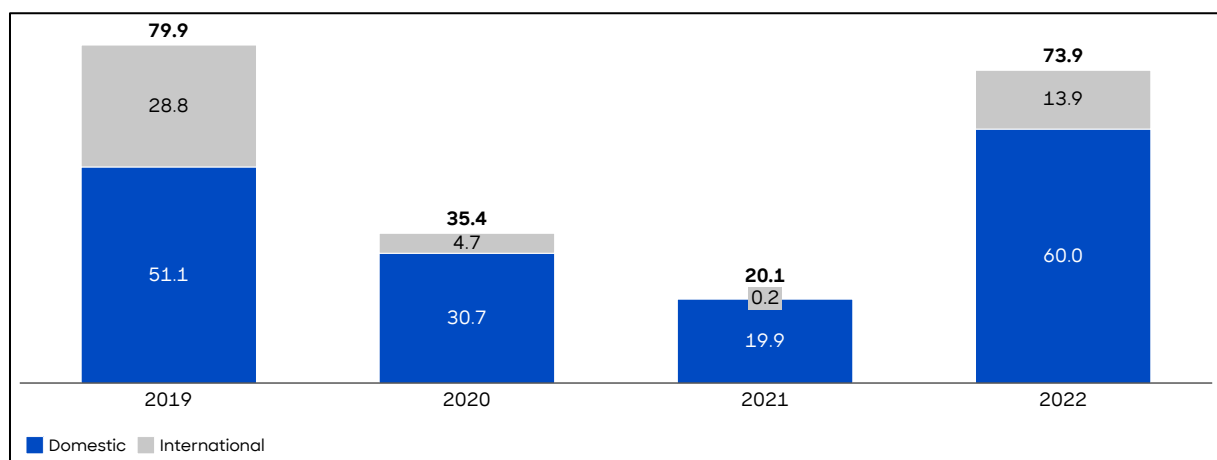


Source: Tourism Malaysia, DOSM

Malaysia's tourism sector experienced strong recovery post-COVID-19. In 2024, it welcomed 25.0 million international tourists, a rebound from just 4.3 million in 2020 during COVID-19. More than 70% of arrivals are from Singapore, Indonesia, Thailand and China in 2024. Similarly, domestic tourist arrivals reached 260.1 million, up from 131.7 million in 2020.

¹⁸⁷ Tourism Malaysia (2025). Malaysia tourism statistics. <https://data.tourism.gov.my/>; DOSM (2024). Domestic tourism survey, page 27. https://storage.dosm.gov.my/tourism/tourism_domestic_2024.pdf (Please note that tourist arrival figures account for the possibility of single tourist making multiple inbound trips to Malaysia)

Figure 2: International and domestic hotel guests in Malaysia, 2015-2022
[million]¹⁸⁸



Source: Tourism Malaysia

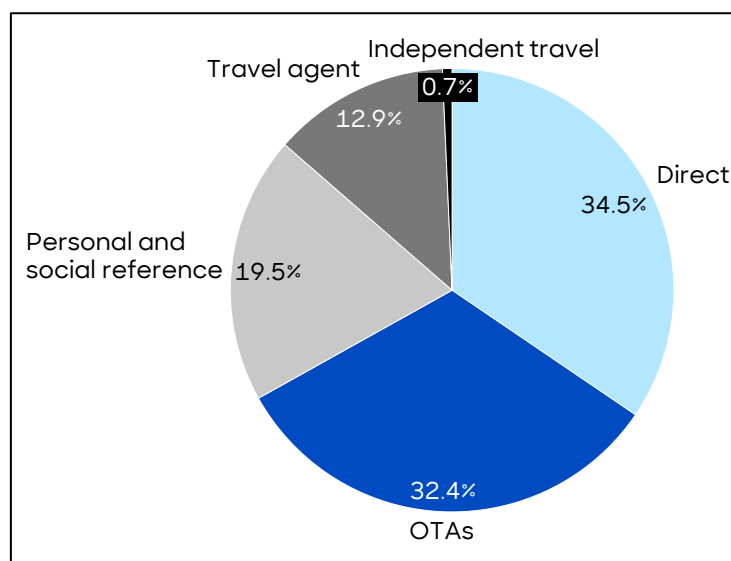
In terms of hotel guests, the pandemic triggered a sharp decline starting in 2020, slashing international hotel guests to 5 million and reducing domestic guests to 31 million. The downturn deepened in 2021, with international hotel guests dropping to approximately 188,000, and domestic guests fell to 20 million due to stringent travel restrictions and local lockdowns. Between 2019 and 2021, the total number of hotel guests declined by 50.1%. Recovery began in 2022, with domestic travel rebounding strongly to 60 million, indicating resilience in local tourism. International arrivals, although recovering only 14 million.

Despite the positive recovery in the industry, some hotels are still struggling to bounce back. In an in-depth interview with a resort based in Negeri Sembilan, the resort shared that its occupancy rates have significantly dropped since the pandemic and have not recovered. While the resort previously achieved occupancy rates of around 80% during school holidays, it now struggles to reach 40%. This could be due to various reasons such as changes in consumer behaviour and increased competition¹⁸⁹.

¹⁸⁸ Tourism Malaysia (2022). Malaysia hotel guest by year. https://archive.data.gov.my/data/en_US/dataset/malaysia-hotel-guest-by-year

¹⁸⁹ Input from IDI.

Figure 25: Holiday booking channel by domestic tourists in Malaysia, February - March 2024 [%]¹⁹⁰



Source: Tourism Malaysia

In terms of booking channels, as of March 2024, direct online bookings continue to dominate, representing 34.5% of all domestic hotel bookings. However, OTAs closely followed with a 32.4% market share, demonstrating their growing adoption among travellers. This shift in preference is driven by convenience, exclusive offers, and price comparison capabilities that OTAs provide. This translates to benefits for consumers, as OTAs aggregate large number of lodging options, feature traveller reviews, and offer transparent filters and tools that reduce search time and help correct information¹⁹¹. According to Rakuten Insight¹⁹², 75% of Malaysian travellers prefer OTAs for their ease of use, while 62% are drawn to special discounts, 48% value price comparisons and reviews, and 43% appreciate the flexibility of booking schedules.

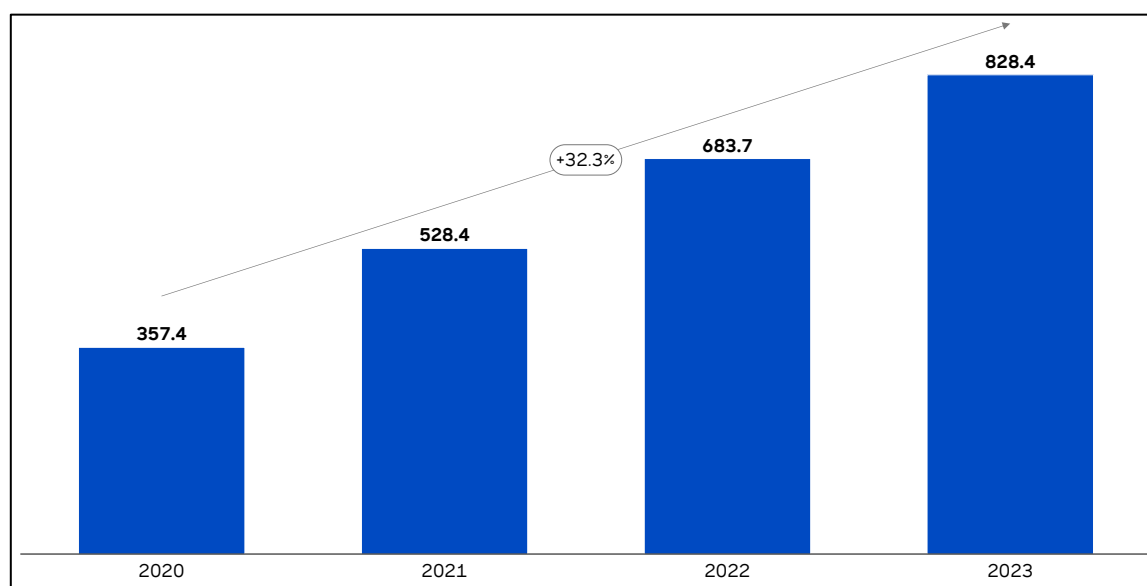
Meanwhile, other booking methods, such as personal and social references (19.5%), travel agents (12.9%), and independent travel arrangements (0.7%), remain as less popular options.

¹⁹⁰ Tourism Malaysia (2024). Malaysia Tourism Statistics. <https://data.tourism.gov.my/>

¹⁹¹ Written response from key players.

¹⁹² Rakuten Insight (via Statista) (2023). Reasons for using online travel agencies (OTAs) for purchasing travel tickets or services in Malaysia as of June 2023. <https://insight.rakuten.com>

Figure 26: Expenditure on online travel services (hotels) among Malaysians, 2020-2023 [USD m]¹⁹³



Source: DataReportal

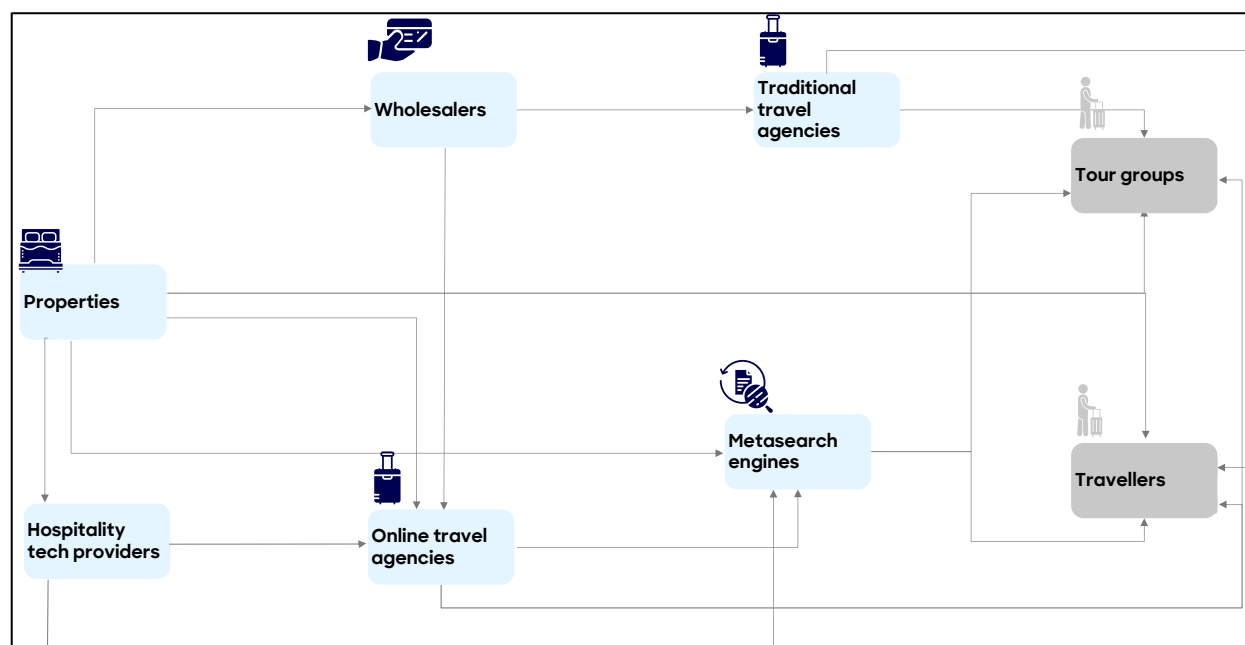
The growing preference for OTAs is evident in the rise of expenditure on hotels through online channels. As of 2023, Malaysia's online hotel sub-sector is estimated to reach a market size of USD 828.4 million, based on total spending by Malaysians. This represents a significant increase from the USD 357.4 million spent during the COVID-19 period (2020).

¹⁹³ DataReportal (2024). Digital 2024: Malaysia. <https://datareportal.com/reports/digital-2024-malaysia>

5.1.2.2 Supply chain

The OTA sub-sector's supply chain comprises several key actors: properties, hospitality tech providers, wholesalers, OTAs, metasearch engines, and customers (both tour group participants and individual travellers). Each actor plays a specific role that contributes to the overall functionality and efficiency of the market:

Figure 27: Supply chain of the OTA sub-sector¹⁹⁴



Source: Interaction with industry players and MyCC analysis

¹⁹⁴ MyCC's analysis and interaction with industry players.

Properties: Serve as the primary providers of lodging, creating products in the form of rooms and services. Two types of properties seen in the sub-sector:

- **Hotels:** Commercial establishments that provide lodging, meals and various guest services. It can operate as either independent hotels or part of a hotel chain.

In Malaysia, MOTAC classifies hotels into five categories¹⁹⁵:

1. **City:** Hotels located in areas gazetted as cities or settlements with a minimum population of 10,000 people, or in district administration centres with fewer than 10,000 people, provided at least 60% of the population is involved in non-agricultural activities. Any premises not categorised as Resort or Highland Hotels can be classified as City Hotels.
2. **Resort:** Hotels near a beach, lake, river, or on a remote island (excluding Langkawi, Penang, and Labuan).
3. **Highland:** Hotels located more than 300 meters above sea level.
4. **Boutique:** Hotels offering personalised, luxurious services with a unique and distinctive concept and design.
5. **Innovative:** Hotels featuring artistic, aesthetic, and unconventional designs, such as igloos, treehouses or capsule rooms.

Within each category, further classification (star rating) is applied based on the level of comfort and amenities offered. The key criteria assessed by MOTAC in determining a hotel's star rating include the

¹⁹⁵ MOTAC (2024). Premis penginapan pelancong.
<https://www.motac.gov.my/perkhidmatan/daftar/premis-penginapan-pelancong/category/116-penggredan>

following, with the weightage of each criterion varying depending on the hotel type¹⁹⁶:

1. **Hotel's façade:** Building type and façade appearance.
2. **Housekeeping:** Room size, room type, availability of executive floor/lounge, presence of *Kiblat* sign, furniture and fittings, bed with clean linen, blanket/duvet, pillow, mattress, mattress protector, bed runner, extra bed/sofa bed upon request, pillow menu, curtain/blind/screen mover, night table/side table, writing table, writing materials, dressing table, lightings, lighting control, cupboard/wardrobe, hangers, waste basket, luggage rack, iron & iron board, laundry bag, bathroom amenities, shower, hot and cold water, bidet, tissues, hand towel, face towel, bath towel, bath mat, bathroom telephone, bathrobe, umbrella, insect repellent, torchlight, baby cot upon request, fridge, coffee making facilities, electric kettle, drinking water, safety deposit box, guest service directory, in-room dining menu, telephone guide, TV and remote, TV guide, internet access, TV channel, fire escape plan, heater, special request/personalised welcome, turndown service, room key, walk way, suite room, sound proof, local decoration, local artwork, wake up call, flooring, smoke/heat detector and water sprinkler.
3. **Front office:** Malaysian mode of greetings, uniform, tidiness of staff uniform, staff grooming and cleanliness, tidiness of space, duty manager, reception readiness, reception desk operation time, multi-language, porter service, in room dining service, systematic customer complaint handling, left-luggage facilities, safety deposit box, secretarial services, internet access, reception with sitting facilities, welcome drink, public toilet, decoration, ambience, furniture, check-in process, group check-in, check out process, upgrade room, payment process, check in/check out time, front office, duty roster, first

¹⁹⁶ MOTAC (2024). Premis penginapan pelancong.
<https://www.motac.gov.my/perkhidmatan/daftar/premis-penginapan-pelancong/category/116-penggredan>

aid kit, guest service officer, local decoration, local artwork, musician, in house music, valet service parking and daily newspaper.

4. **Kitchen:** Separate kitchen for halal and non-halal, dry store, fire extinguisher, chiller and freezer, dishwasher, kitchen utensil, cutleries, pastry, chef, specialty dishes, uniform, tidiness of staff, grooming and cleanliness, grease trap, ventilation, steward, pastry utensil, main course serveware, disposal routine, halal certification, health certification, pest control, recycle, kitchen duty roster, kitchen flooring, water sprinkler, fire extinguisher, dustbin with paddle, sensor/elbow/automatic tap, ice machine maker, butchery, air conditioned garbage room, receiving area, kitchen hood, insect trap, first aid kit and toilet.
5. **F&B service:** Coffee house, restaurant, lounge, banquet/function room/meeting room and in-room dining service.
6. **Human resource management:** Staff welfare, staff facilities and corporate social responsibility.
7. **Complaints:** Monitoring customer complaints, respond to customer complaints and appreciation note.
8. **Guest facilities:** Swimming pool, changing room, qualified lifeguard, swimming pool regulation, gymnasium, qualified gymnasium instructor, spa/sauna, sauna regulation, convenience store and business centre.
9. **Security:** Closed-circuit television (CCTV), security staff, uniform provided, emergency respond team, emergency exit, fire extinguisher, water sprinkler, *Bomba* lift, *Bomba* hose, water hydrants, fire door and smoke detector.

10. **ICT:** reservation system, online booking, database for return customer, online payment, online marketing and online laundry/linen system.
11. **Special hotel features:** Waterpark, theme park, kid zone, garden, art gallery, library, self-laundry room, high-end store, hair salon, ladies' floor, bistro, karaoke room, sport recreation, Muslim friendly, heated pool and other special features.

Depending on their targeted customers (e.g., corporate clients, individual travellers, tour groups, etc.), hotels can leverage platforms like Global Distribution System (GDS)¹⁹⁷, wholesalers, traditional travel agents and OTAs to distribute and enhance their visibility and accessibility.

Smaller and budget hotels often depend on revenue management players to optimise their performance on OTA platforms and improve revenue potential. These service providers specialise in managing hotel listings, pricing strategies, and availability across multiple OTAs. For instance, players like Strategic E Com Services (SECOMS) and Software for Travel Agents and Accommodation Hosts (STAAH) support hotels to secure better page rankings on OTAs, improve Average Room Rates (ARR), and reduce commission-related costs (due to the representation of a large number of hotels, which provides leverage in negotiations)¹⁹⁸.

- **Short-term rental accommodations (STRAs):** Properties that are to be rented out on a short-term basis, often through OTAs. Encompass a wide variety of options, from individual rooms to entire homes and they tend to offer a more personalised experience managed by individual property owners. This allows guests to enjoy unique stays in diverse environments.

¹⁹⁷ Large hotel chains and corporate clients often integrate with GDS such as Sabre, Amadeus, and Travelport. These platforms provide the connectivity infrastructure needed to facilitate seamless booking through corporate systems already linked to GDS networks.

¹⁹⁸ Input from IDI.

Hospitality tech providers: Software solutions companies that connect properties with OTAs¹⁹⁹. Acting as intermediaries, they automate and streamline the distribution of inventory, rates, and bookings across multiple channels, helping properties expand their reach and maximise profitability. These “enablers” distribute real-time data on room availability and pricing, preventing overbookings and ensuring consistency.

Support are done through a centralised channel platform, allowing properties to update listings and promotions across OTAs through a single interface. By integrating with Property Management Systems (PMS) and Central Reservation Systems (CRS), they ensure seamless data flow between front-desk operations and online channels.

The enablers also provide tools for dynamic pricing based on market conditions and competitor rates, as well as analytics dashboards to track performance and guide decisions²⁰⁰. Additionally, many support direct booking capabilities and integrate with metasearch platforms like Google Hotel Ads and Trivago, helping properties reduce reliance on OTAs and improve direct revenue.

These players typically operate on a B2B SaaS business model, generating income through subscription fees, transaction-based commissions, and premium service tiers²⁰¹. Examples of these enablers include D-Edge, STAAH, SiteMinder, SECOMS.

Wholesalers: Wholesalers in Malaysia typically purchase hotel inventory in bulk from hotels and resell it to traditional travel agencies or list the inventory on OTAs. This approach allows for a variety of selling options, including room-only deals and specialised packages tailored to specific markets. To attract overseas tour groups, particularly from key markets such as China, Taiwan, Hong Kong, and India, hotels often distribute their

¹⁹⁹ Siteminder (2025). OTA channel manager: The ultimate guide. <https://www.siteminder.com/r/ota-channel-manager/>

²⁰⁰ Staah (2025). The OTA balancing act: How a channel manager helps you win more bookings. <https://blog.staah.com/featured/the-ota-balancing-act-how-a-channel-manager-helps-you-win-more-bookings>

²⁰¹ Hospitality Technology (2024). SaaS: The Future of Hotel Guest Apps - A Deep Dive into 2024 Trends. <https://hospitalitytech.com/saas-future-hotel-guest-apps-deep-dive-2024-trends?>

room inventory to wholesalers, who subsequently resell it to traditional travel agencies.

This approach enables hotels to leverage established networks and benefit from the agencies' local market expertise, facilitating access to a broader audience of international travellers. Moreover, wholesalers are essential for resort and leisure-focused hotels, as these properties depend on wholesalers to expand their reach to travellers (via traditional travel agencies). Wholesalers' business model is based on negotiating lower room rates from hotels and marking them up for resale to traditional travel agents or OTAs. Notable examples of players include Dida Travel, MG BedBanks, and Hotelbeds.

OTAs: Function as search engines for travellers, providing a platform to compare prices and book accommodations. They employ various marketing strategies, such as Search Engine Optimisation (SEO) and digital advertising, to drive traffic and bookings. Some OTAs also act as wholesalers, purchasing inventory directly from properties. Their business model is heavily reliant on commission-based revenue, often charging properties a percentage for each booking. Key players include Booking.com, Agoda and Airbnb (STRA-focused only).

OTAs provide several benefits to the tourism sector. For accommodation providers, OTAs increase visibility by listing properties on their platforms, giving them access to a global audience and enhancing brand awareness. They also help properties and lodging providers reach markets that are challenging to access through direct marketing efforts. For travellers, OTAs simplify the booking process by offering user-friendly platform to search, compare, and book accommodations, making trip planning more efficient²⁰².

Additionally, OTAs contribute to the growth of the tourism industry by connecting travellers with a wide range of services and destinations,

²⁰² FOUNDERY (2023). The advantages and disadvantages of online travel agencies. <https://foundery.ca/insights/advantages-disadvantages-online-travel-agencies/>

encouraging travel activity and supporting the overall expansion of the sector²⁰³.

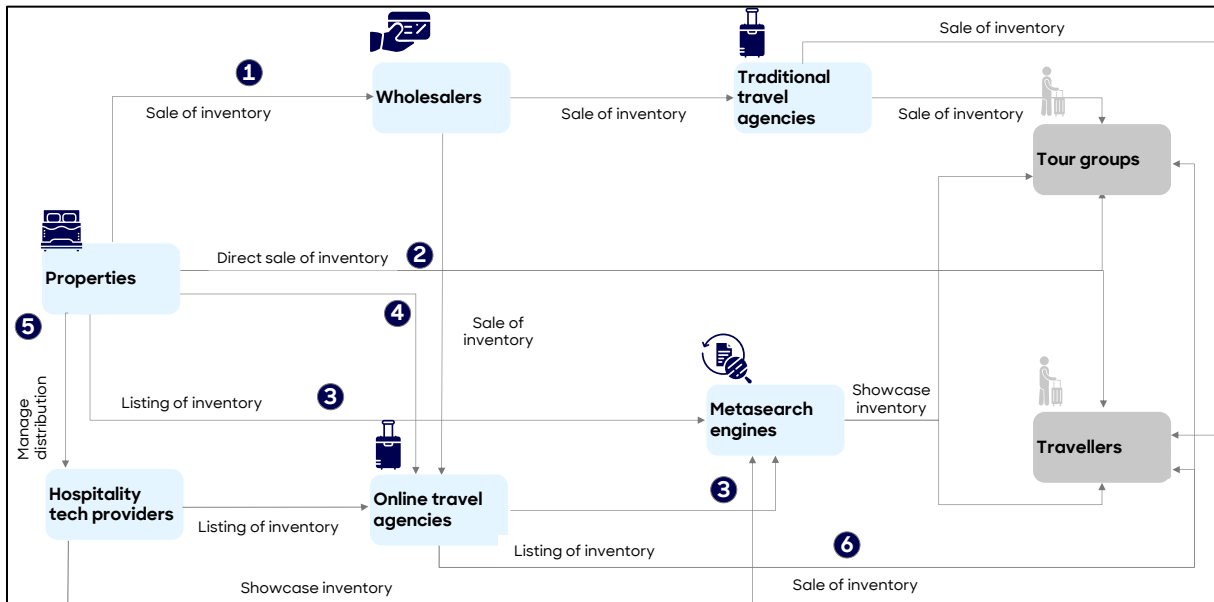
Metasearch engines: Aggregate information from various OTAs, allowing consumers to compare offers from multiple platforms before choosing the most suitable OTA for booking. In addition to aggregating OTA data, metasearch engines allow properties to list their offerings directly on the site, bypassing the OTAs. This creates an additional layer within the travel ecosystem, providing properties with increased visibility and more control over their pricing and availability, while offering consumers a direct option for booking (through metasearch).

The business model of metasearch engines typically revolves around advertising, charging a fee (usually on a pay-per-click basis) to OTAs or properties for referred bookings. The actual user-OTA/property transaction occurs on the OTA or property's website, as users are redirected to complete their booking. No customer service or support are provided to its users in the area of dispute resolution. Some examples of players include Google Hotels, Kayak and TripAdvisor.

²⁰³ REZGO (2022). Advantages and disadvantages of online travel agencies (OTAs). <https://www.rezgo.com/blog/advantages-and-disadvantages-of-online-travel-agencies-otas/>

5.1.3 Market practices

Figure 28: Key relationships along the OTA supply chain



Source: Interaction with industry players and MyCC analysis

1. Properties and wholesalers

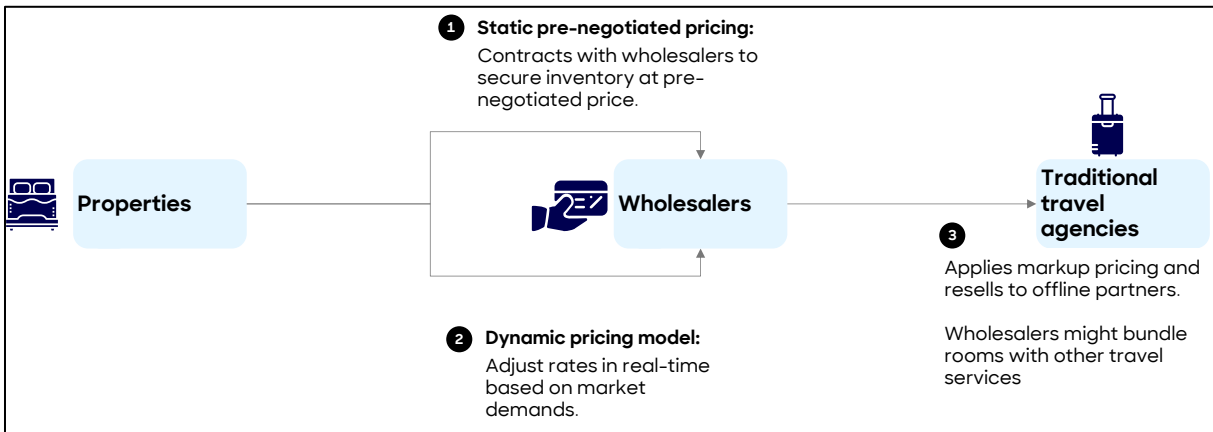
Properties typically have contracts with wholesalers to secure room inventory at pre-negotiated rates. These contracts can be short-term or extend over multiple years. Wholesalers bundle rooms with other travel services (e.g., flights, car rentals, tours) and distribute them through various offline travel agencies and tour operators. Notably, some OTAs also operate as wholesalers, making the distinction between these distribution models less clear.

Traditional wholesalers primarily operate in the B2B segment, negotiating static floor prices with properties. Instead of charging a commission, wholesalers apply a markup before reselling rooms to offline partners. High-performing wholesales may achieve preferred partner status, granting them priority access to inventory and exclusive pricing. Many larger hotel chains in Malaysia are now shifting from static pre-negotiated rates to dynamic pricing. This change helps hotels maintain rate parity across all distribution channels and adjust rates in real-time based on market demand.

Wholesalers play a key role in distributing room inventory to traditional travel agencies, which remain essential for reaching offline foreign tour groups that rely on conventional booking methods (i.e., traditional travel agencies).

(a) Pricing structure

Figure 29: Pricing structures between properties and wholesalers



Source: Interaction with industry players and MyCC analysis

Properties set a static floor price for wholesalers, who then add a markup before reselling the inventory to offline partners (e.g., travel agencies, tour operators). While most wholesalers operate on static pricing, some hotel chains are adopting dynamic pricing to adjust room rates in real-time based on demand and market conditions.

Table 15: Impact of pricing models on properties

	Static pre-negotiated pricing	Dynamic pricing model
Negotiability	Permits bespoke negotiations (e.g., room blocks, tour operator deals).	Standardised pricing leaves less room for custom discounts or incentives.
Rate parity control	Properties might offer different rates for different wholesalers. High-performing wholesalers might get exclusive rates.	Not based on performance of wholesaler, however it is based on the market demand and seasonality.

	Static pre-negotiated pricing	Dynamic pricing model
Pricing Flexibility	Low, prices locked in regardless of market conditions.	High, real-time adjustment based on booking trends and competition.
Risks on properties	Higher risk of unsold rooms if demand falls or wholesaler underperforms.	Rooms remain under properties' control; unsold inventory can be repriced.

Source: MyCC analysis

(b) Restrictions

To maintain control over pricing and online presence, properties typically prohibit wholesalers from listing inventory on online platforms. Wholesalers focus on offline distribution, ensuring rate consistency. Additionally, unsold inventory is often returned to properties within a set period, typically 3-15 days before check-in, to optimise room occupancy levels²⁰⁴.

2. Properties and travellers

Properties utilise a blend of traditional and digital marketing strategies to build connections with travellers and drive direct bookings. By leveraging historical booking records, limited data from OTA platforms (e.g., length of stay, price, and guest name), and insights from customer touchpoints such as websites, social media, and service inquiries, they gather traveller data to support targeted marketing efforts.

For online, properties leverage their official websites and social media platforms to enhance visibility and directly engage potential guests. To encourage direct bookings and reduce reliance on OTAs, many properties offer exclusive deals and discounts on their websites that are not available through third-party platforms.

In addition to discounts, properties attract customers with added-value perks, such as complimentary access to on-site amenities like restaurants, sky bars, pools, or spa facilities. These incentives elevate the guest

²⁰⁴ Input from IDI.

experience and distinguish direct bookings from those made through intermediaries. Email marketing, loyalty programs, and personalised promotions further strengthen guest retention and encourage repeat visits.

To foster loyalty among high-value guests, many hotels provide exclusive benefits to their members. For example, Marriott Hotels offer lower flexible rates to members compared to non-members, incentivising travellers to join their loyalty programme and book directly through Marriott's channels. These member-only rates, combined with perks like room upgrades and personalised services, help build deeper customer relationships while bypassing OTAs. By leveraging such targeted marketing strategies, hotels effectively enhance brand loyalty and maintain direct connections with their guests.

Figure 30: Selected marketing events by selected luxury hotels which are only available through their direct channels

The screenshot displays a hotel website interface. The top section features a navigation bar with links like 'Stay', 'Loyalty programme', 'Deals', 'Restaurants and Bars', 'Our partners', 'Book a ride', 'Activities', 'Meeting & Events', and 'Professionals'. Below this, a 'Select a Room and Rate' section shows two room options: '1 King Bed, City View, Guest Room' and '2 Twin/Single Beds, City View, Guest Room'. Each room has a 'Member Flexible Rate' and a 'Flexible Rate'. To the right, a 'Discover Dine and Earn with' section promotes a loyalty program, showing a QR code and the text 'Earn 5 Points for Every \$1 Spent'. Below this, a 'More benefits with each status level' section lists five status levels: 'As soon as you join', 'From 10 nights or 2,000 Status points', 'From 30 nights or 7,000 Status points', 'From 60 nights or 14,000 Status points', and 'From 26,000 Status points'. Each status level lists specific benefits, such as 'Member rate', 'Free Wi-Fi', 'Exclusive offers', 'Partner benefits', 'Welcome drink', 'Priority Welcome', 'Late check-out', 'Guaranteed room availability', 'Room Upgrade', 'Early check-in or late check-out', 'Suite Night Upgrade(s)', 'Lounge access', 'Premium Wi-Fi', 'Free breakfast on weekends', 'Dining & Spa Rewards', and 'Free Gold status for the person of your choice'.

Source: Selected hotels' websites

3. OTAs/ Properties and Metasearch Engines

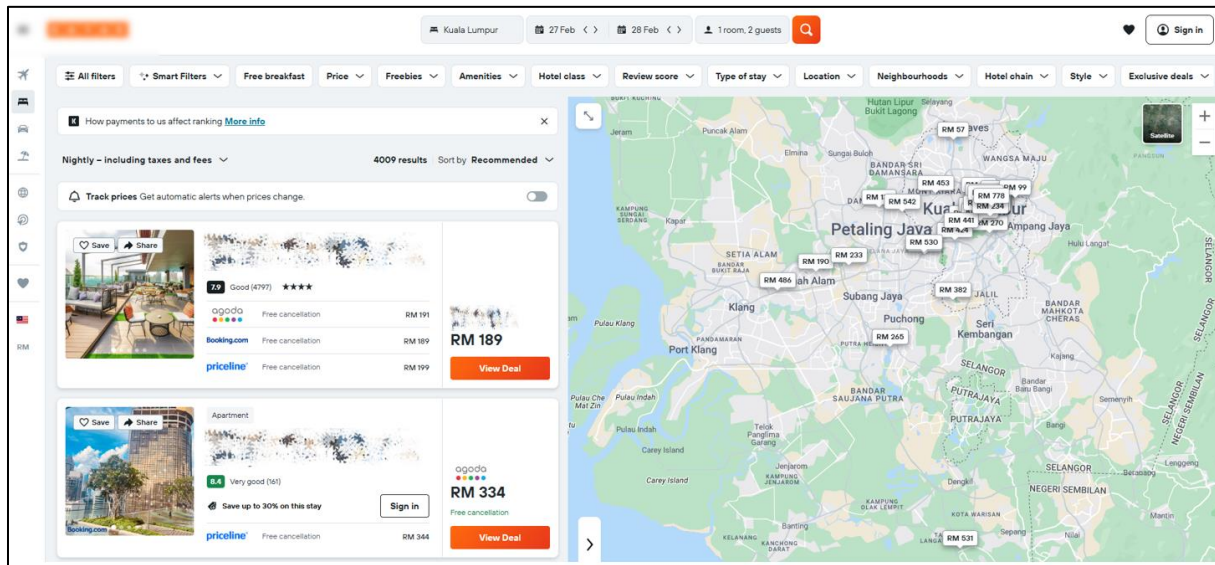
Figure 31: Key travel technology group companies and its OTA and metasearch engine subsidiaries (selected)

Company groups	Online travel agencies (non-exhaustive)	Accommodation-focused metasearch engines (non-exhaustive)
 BOOKING HOLDINGS	 	 
 expedia group	 Hotels.com™  Expedia	
 Tripadvisor	N/A	 Tripadvisor

Source: Secondary research

Many major players, such as Booking Holdings, operate both OTAs and metasearch engines to maximise their market reach. For instance, Booking Holdings manages OTAs like Booking.com and Agoda, alongside metasearch platforms such as Kayak. Similarly, Expedia Group owns OTAs like Expedia and Hotels.com, while also operating Trivago as a metasearch platform.

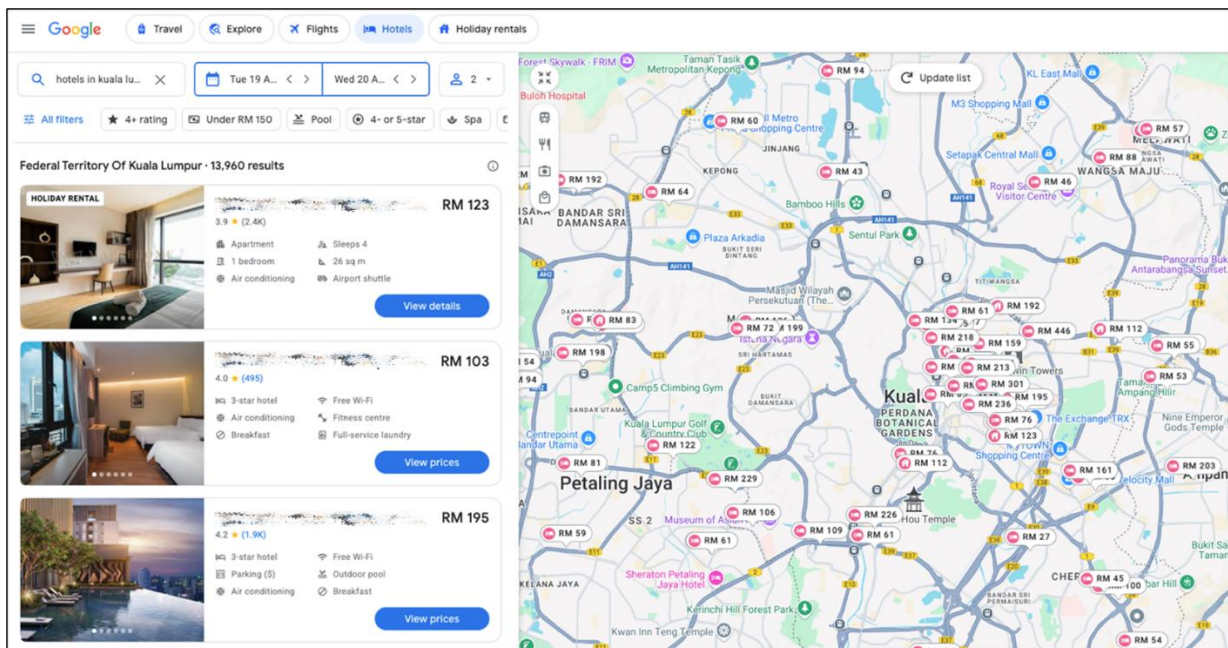
Figure 32: Display of results from a metasearch engine



Source: Secondary research

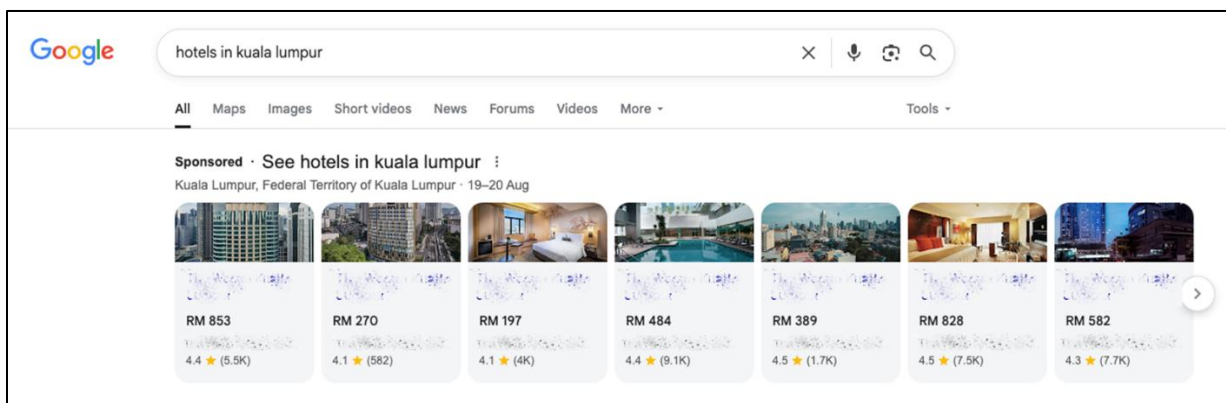
While Google does not offer OTA services, Google Hotel functions solely as a metasearch platform, aggregating accommodation options from various sources, including OTAs and direct hotel websites. Properties do not pay to be listed in the organic search results, nor can they pay to influence their ranking. However, both OTAs and properties may choose to use Google Hotel Ads, a paid advertising service that enables them to appear as “Sponsored” listings for relevant user searches.

Figure 33: Illustration of Google Hotel metasearch



Source: Google Hotels

Figure 34: Illustration of Google Hotel Ads



Source: Google

OTAs and properties typically engage in performance-based advertising agreements with metasearch platforms, where payment is made each time when a user clicks on their listing. Below details the business model of key metasearch engines:

Table 16: Selected metasearch engines and their business model

Metasearch engine	Business model
Trivago ²⁰⁵	• Cost per Click (CPC): OTAs/properties pay when based on the number of clicks their ad receives. • Cost per Acquisition (CPA): OTAs/properties pay when a booking is made (pre-defined percentage between both parties).
Kayak ²⁰⁶	• CPC
Trip Advisor ²⁰⁷	• CPC • Instant Booking: Serve as an OTA, travellers to book directly from the platform.
Google Hotel Ads ²⁰⁸	• Manual CPC: Advertisers set a fixed bid amount that is charged each time a traveller clicks on their ad. • CPC percentage: OTAs/properties bid a percentage of the room price per night when a traveller clicks on their ads. • Enhanced CPC: Used in combination with manual CPC or CPC percentage strategies, it aims to improve return on ad spend beyond what manual bidding alone can achieve. It is designed to complement both in-house and third-party bidding systems. • Target Return on ad spend (ROAS): OTAs/properties set the desired average return (e.g., revenue) they aim to earn for every dollar spent on advertising.

²⁰⁵ Trivago (2025). Our metasearch. <https://company.trivago.com/get-listed/>

²⁰⁶ Productmint (2022). The Kayak business model - How does Kayak make money?. <https://productmint.com/the-kayak-business-model-how-does-kayak-make-money/> ; Kayak (2025). Hotel owner. <https://www.kayak.sg/hotelowner>

²⁰⁷ Little Hotelier (2024). TripConnect: TripAdvisor instant booking and CPC campaigns. <https://www.littlehotelier.com/blog/get-more-bookings/tripconnect/> ; Trip Advisor (2025). Instant booking. <https://www.tripadvisor.com.sg/InstantBooking>

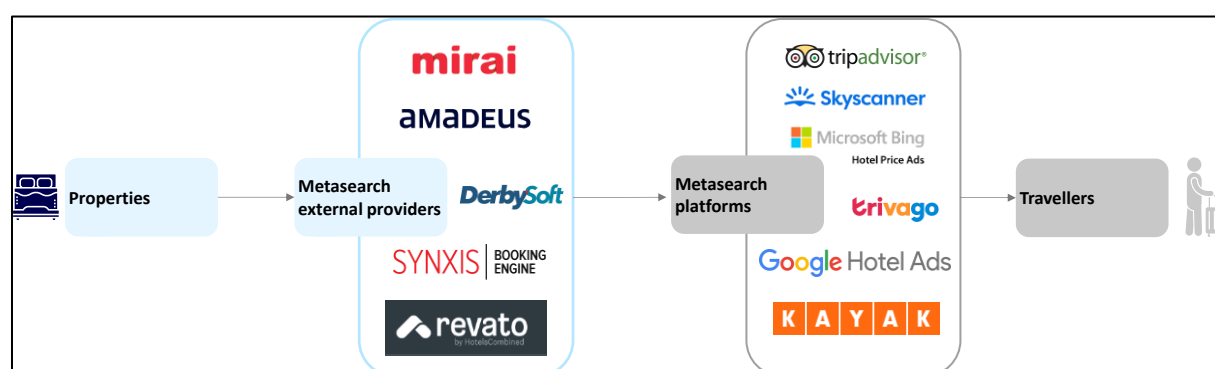
²⁰⁸ Google (2025). About hotel campaigns in Google Ads. <https://support.google.com/google-ads/answer/9238461?hl=en>; Written input from industry players.

Metasearch engine	Business model
	• Performance Max: OTAs/properties set a goal-based campaign, to serve in Google properties including Google Hotel.

Source: Trivago, Kayak, Trip Advisor, Google Hotel Ads

Metasearch engines are connected directly to the databases of OTAs and properties to display real-time prices and availability. Additionally, some metasearch platforms rely on external providers to facilitate the connection between OTAs and properties, enabling them to integrate their offerings. Examples of such providers include Mirai, Amadeus Hospitality, Revato, SynXis, and DerbySoft.

Figure 35: Illustration of metasearch external provider facilitating connection between properties and travellers



Source: MyCC analysis

Selected metasearch platforms also offer additional services to help OTAs and properties boost their visibility. These services include, but are not limited to²⁰⁹:

- Access to traveller data, such as search trends

²⁰⁹ Trivago (2025). Business studio +. <https://studio.trivago.com/home/getstarted/studio-plus> ; Kayak (2025). Products. <https://www.kayak.sg/c/advertising/products/> ; Tripadvisor (2025). Sponsored placements. <https://www.tripadvisor.com/business/sponsored-placements>

- Insights into competitors' rates
- Opportunities for higher placement in search results
- Advertisement banners or homepage takeovers
- Native advertising opportunities
- Exposure through blogs and social media channels
- Sponsored placements for enhanced visibility

This model enables OTAs and properties to bid for premium placements, increasing visibility on high-traffic metasearch platforms and driving higher bookings volumes. According to interviews with various smaller, independent hotels in this study, the cost of pay-per-click (PPC) bidding can be significant, especially when they also need to allocate funds to other channels like OTAs. As a result, metasearch engines tend to be a more viable option primarily for large hotel chains and well-funded OTAs with substantial marketing budgets.

4. Properties and OTAs

Listing on OTAs is a commercial decision made by properties as part of their overall distribution strategy. Specifically, many small and independent properties use OTAs to increase their visibility and compete in a broader market²¹⁰. To support properties, OTAs offer a suite of tools, including but not limited to:

- Real-time booking and inventory infrastructure that integrates seamlessly with properties' system.
- Customer support operations, often in multiple languages that help to handle guest queries and reduce the day-to-day workload on properties' staff.

²¹⁰ Input from industry players.

- Payments processing with fraud protection and support for cross-border transactions.
- Data analytics to monitor demand, optimise pricing, and plan inventory.
- Targeted marketing aligned with specific campaigns, seasons, or guest demographics.
- Marketing solution to increase properties business performance (e.g., Agoda Growth Program (AGP)).

Collectively, these features help properties refine pricing strategies, manage promotions effectively, and enhance their overall listings on the platform, while also offering global brand exposure to markets that properties may not otherwise reach directly.

The following outlines the key areas of interaction between the two parties:

Figure 36: Key interactions between properties and OTAs

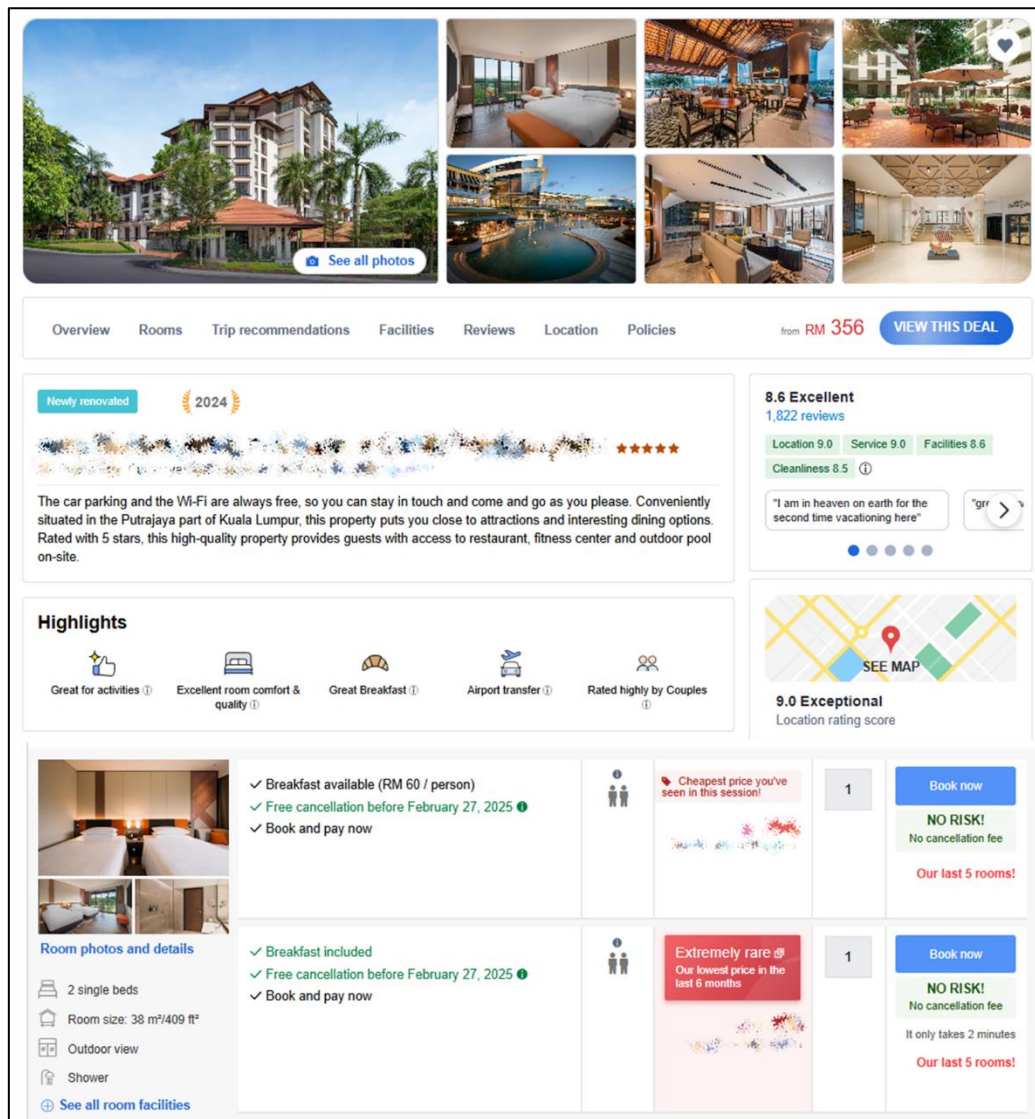


Source: MyCC analysis

(a) Platform registration

Registration is done by properties directly creating profiles on the OTAs. While basic information such as property details and location are required, properties must also showcase an optimal blend of visuals and information to highlight their unique features. Key details typically include:

Figure 37: Listing example on an OTA, featuring images of the property, description, facilities and room details



Source: Secondary research

- I. **High-quality images:** High-resolutions, clear, well-lit photos of the property's interior and exterior, including key areas like rooms, common spaces, and amenities.
- II. **Detailed descriptions:** Engaging descriptions that highlight the property's unique features, location, and amenities help travellers understand the property.
- III. **Amenities and facilities:** Detailed listing of amenities (e.g., Wi-Fi, parking, pool, gym, breakfast).

- IV. Accurate room information:** Detailed room descriptions, including size, bed type, view, and occupancy limits, help cater to various guest preferences.

Upon completion, the OTA will conduct a validation process and provide a contract/agreement to the property subsequently.

(b) Agreement structure and terms

Larger hotel chains, such as Marriott and Hilton, typically, establish group-level master service level agreement (SLA) with OTAs. These agreements serve as overarching frameworks governing the terms and conditions for all properties under the chain's ownership. The master SLA outlines key elements, including negotiated commission rates, listing prices, and the provision of dedicated OTA account managers to support larger chains and high-performing properties.

Table 17: Overview of a global, regional and localised level SLA

SLA type	Description
Group level (Global)	- Covers the entire hotel brand or group, encompassing all properties under the same brand, regardless of location. - Key terms typically include the hotel's obligations, such as rate parity, commission structures, payments, and data usage. Agreement also outlines marketing obligations, license and data terms, as well as provisions for termination and suspension. - For commission rates, a global range is usually agreed upon, which applies uniformly to all properties within the group.
Regional level	Applies to a specific geographical region, which may encompass several countries or states

SLA type	Description
	• Key terms largely similar to those in a group-level SLA, except that commission rates may or may not be included • In cases where commission rates are not specified, they may be guided by the group-level SLA.
Localised level	• Specific to an individual hotel, which may or may not be part of a group • May or may not include commission rates; if commission rates are not specified, they may be guided by the group-level SLA.

Source: Interaction with industry players

While the master SLA sets a unified standard, additional flexibility is often incorporated through regional and property-level agreements. This allows for adaptations to account for varying legal environments, market dynamics, and currency differences across countries and regions. These localised agreements enable tailored solutions that address the unique operational and compliance needs of individual markets, ensuring that both global and local priorities are effectively managed.

For independent and smaller hotels, agreements are made solely at a local level.

(c) Commissions and fees agreement

Historically, OTAs applied flat commission rates across all properties²¹¹. However, this approach has since evolved, and OTAs now use more dynamic pricing models to account for the unique characteristics of each property and varying market conditions. According to the OTAs, the commissions given are adjusted to reflect market conditions and to each property's unique circumstances²¹². This means applying different rates to individual properties based on factors such as the size of the hotel,

²¹¹ Input from IDIs.

²¹² Written response from key players.

popularity, potential booking volume, location, target audience, and competitive positioning. Such factors are not shared with properties.

In general, properties with lower booking volumes often face higher commission rates, while high-performing hotels or chains may negotiate for more favourable terms.

Typically, the commission is calculated as a percentage of the booking value (price) and agreed upon in advance. Commission structures can vary significantly between large hotel chains and smaller budget or standard hotels, as outlined below:

Table 18: Commission rates for hotels in Malaysia²¹³

Property type	Commission rate
Large hotel chains	10-18%
Standard/ Budget hotels (including STRAs)	17-20%

Source: Interaction with industry players and MyCC analysis

- I. **Large hotel chains:** Commission rates typically range from 10% to 18%, negotiated as part of the Master SLA. Large hotel chains do not adhere to a standardised commission rate across all their locations. Instead, the Master SLA outlines specific rates for each region, ensuring that individual hotels within those regions comply with the agreed terms. Global chains like Hyatt and Marriott leverage their significant market presence and high booking volumes to negotiate lower commission rates and more favourable terms.
- II. **Standard/ Budget hotels (including STRAs):** Commission rates for this group are typically higher compared to large hotel chains due to their greater reliance on OTAs. Without a substantial base of direct or walk-in bookings, budget hotels often depend heavily on OTAs, with some properties reporting that OTAs contribute up to 75% of their sales. As a result, OTAs have stronger leverage, and commission

²¹³ Input from focus group discussion and IDI.

rates for budget hotels are usually non-negotiable, ranging from 17% to 20%, depending on factors such as property type and location.

OTAs may also provide tiered commission rates/special programmes, wherein hotels paying higher commission rates gain additional benefits, such as enhanced visibility through featured listings or access to advanced marketing tools. For example, the Agoda Growth Program (AGP) requires a higher commission fee, but in return, properties will receive benefits such as "Preferred Partner" recognition (in the form of a badge), increased visibility, and promotion on Agoda's affiliated partner websites²¹⁴.

Commission rates can be negotiated during the agreement renewal process, typically after one year. The outcome of the negotiation often depends on the leverage the property holds (e.g., being part of a large hotel chain, strong sales performance, etc.)²¹⁵.

Specifically for listings on Airbnb, the commission rate for properties (known as "hosts") is fixed at 3%. Although this is much smaller compared to traditional OTAs, Airbnb also charges a 'Guest Service Fee' directly to travellers (on top of the property rate), which is typically under 14.2%. Exact rate is dependent on various factors, including booking length and cross-currency booking²¹⁶.

While commissions serve a commercial purpose for OTAs, a portion is also reinvested into advertising campaigns, content localisation, and travel-related editorial content designed to drive traffic and improve property visibility²¹⁷.

(d) Property ranking

The ranking algorithms used by digital platforms are not publicly disclosed, making it difficult to determine how properties are ranked. Rankings may be influenced by dynamic user behaviours such as applied filters, search history, and past bookings, as well as commercial considerations like paid

²¹⁴ Agoda (2025). Partner hub. <https://partnerhub.agoda.com/hotel-solutions/agoda-growth-program/>

²¹⁵ Input from IDI.

²¹⁶ Airbnb (2025). Airbnb service fees. <https://www.airbnb.com.sg/help/article/1857>

²¹⁷ Input from industry players.

sponsorships. Additional ranking factors can include pricing competitiveness, cancellation rates, and cost-per-acquisition metrics, which may tend to favour listings that demonstrate stronger performance and perceived value.

However, certain broad factors are highlighted by selected OTAs, with the key objective to show the most relevant results in response to a traveller's search query. For example, Booking.com²¹⁸ states that to rank highly in search results, a property needs to improve in three key areas:

- **Click-through rate:** Measures how frequently users click on the property listing.
- **Gross bookings:** Refers to the total number of bookings made for the property.
- **Net bookings:** Refers to the number of bookings that remain after cancellations are deducted.

These above-mentioned areas are influenced by various factors, including review scores, availability, policies, pricing, content quality (e.g., photos), and other features. Additionally, rankings can be impacted by factors such as commission rates and participation in OTA programs (e.g., Preferred Partner)²¹⁹.

(e) Campaigns

OTAs frequently run various marketing campaigns to boost bookings. Before launching a campaign or offering discounts, OTAs typically notify properties in advance (about 2-3 months), allowing them to decide whether to participate in a campaign. If a properties opts into a campaign, it is responsible for absorbing the associated costs. Properties also have the option to opt out, even after initially agreeing to participate. If a property opts out of the campaign after initially agreeing to participate, it

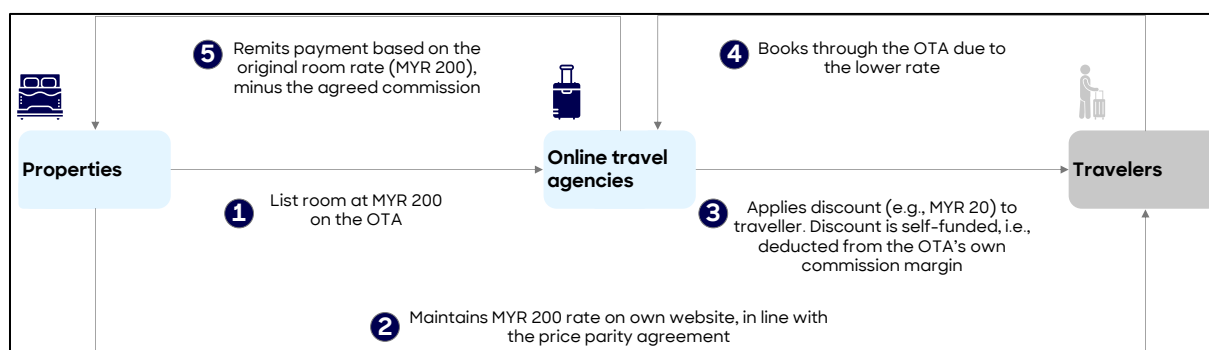
²¹⁸ Booking.com (2023). How we work.
https://www.booking.com/content/how_we_work.html

²¹⁹ Booking.com (2023). How we work.
https://www.booking.com/content/how_we_work.html

will only be charged for the bookings that have already been made as a result of the promotion, not for any future bookings.

An example campaign is Agoda's Growth Program (AGP), designed to enhance a property's visibility and booking performance through increased marketing efforts ²²⁰. Participation involves paying an incremental commission referred to as "cost per booking" on top of the standard rate (15-20%). The higher the incremental commission a property agrees to, the more Agoda invests in marketing that property.

Figure 38: Self-funded campaigns by OTAs



Source: MyCC analysis

OTAs may also organise “self-funded” marketing campaigns, using the commission earned from properties to subsidise discounts that lower the final room price for travellers. While this common practice can make listings more competitive, it often conflicts with price parity agreements between OTAs and properties.

In comparison, Airbnb does not organise marketing campaigns for properties as part of its business model. Instead, properties can offer discounts on rates or take advantage of Airbnb's promotional tools to attract customers, such as setting price discounts or special offers²²¹.

²²⁰ Agoda Partner Hub (2025). What is Agoda Growth Program (AGP)? <https://partnerhub.agoda.com/what-is-agoda-growth-program>

²²¹ Airbnb (2025). Discounts. <https://www.airbnb.com.sg/help/topic/1478>

(f) Relationship management strategies

OTAs typically assign a "Market Manager (MM)" to support and assist properties with resolving issues and optimising their presence on the platform. The approach to MM assignment varies across OTAs, depending on their operational strategies:

- I. **Regional assignment:** MMs are assigned based on geographic regions, such as Klang Valley or Kuala Lumpur City Centre. MMs designated to a specific region are responsible for managing and supporting properties located within that area, ensuring localised and tailored assistance to meet the unique needs of each property.
- II. **Chain-specific assignment:** MMs are assigned to specific hotel chains and are responsible for managing all properties within that chain. For example, an MM may oversee all properties belonging to a hotel chain in Penang.

(g) Account termination

Both parties can initiate termination of the account under the agreement. OTAs may terminate an account for various reasons. According to Booking.com²²²:

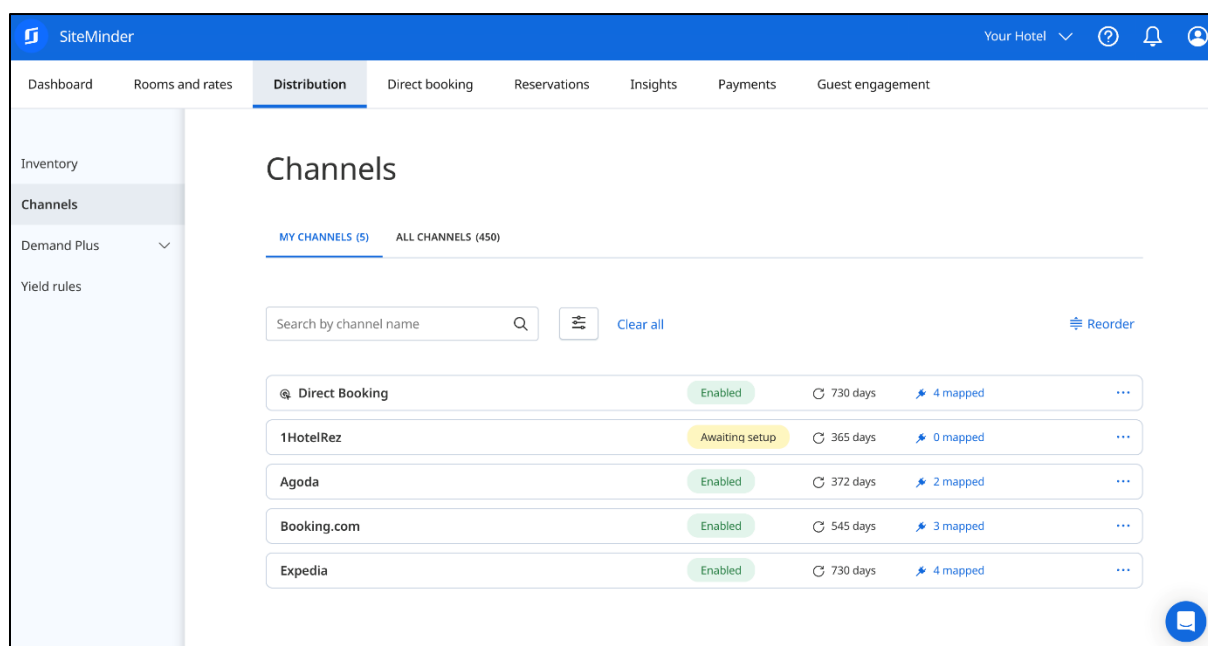
- Failure to pay invoices, charges, or fees on time.
- Attempt to avoid or reduce commission payments in bad faith.
- Provide inaccurate, outdated, or fraudulent information, including misleading details about the property.
- Fail to accept a reservation at the agreed price or on conditions.
- Overcharge a guest.

²²² Booking.com (2025). General delivery terms.
<https://admin.booking.com/hotelreg/terms-and-conditions.html>

- Misuse a guest's credit card or personal data, or a data breach occurring.
- Complaints from guests or third parties.
- Repeated poor ratings or reviews.
- Manipulate or attempt to manipulate reservations or guest reviews.
- Safety, security, privacy, or health issues related to the property.
- Terminating a contract without cause or for convenience.
- Breach of contract by the property or any related parties.
- Failure to perform obligations under any agreement with affiliated parties.
- Conduct incompatible with the platform's business model or policies.
- Breach of representations or obligations as outlined in agreements.
- Failure to provide accurate, complete, or timely information or documents when requested for due diligence or legal compliance.

5. Hospitality tech provider and properties

Figure 39: OTA management platform (example)²²³



Source: SiteMinder

Hospitality tech providers (enablers) such as SiteMinder, D-EDGE, and RateGain offer digital infrastructure that supports properties in managing their distribution operations, pricing strategies, and online visibility. These platforms typically integrate with a hotel's PMS via cloud-based CRSs, allowing properties to manage multiple online sales channels through a single interface.

The relationship between hotels and technology enablers is typically structured around system connectivity, operational automation, and commercial agreements tailored to the size and needs of the property. These providers support both independent hotels and large groups by offering scalable, modular solutions.

Contract value is generally determined based on the features selected, with many enablers offering tiered pricing models. For example, SiteMinder allows properties to choose from different plans according to their

²²³ Site Minder (2025). Channel mapping. <https://www.siteminder.com/r/channel-mapping/>

operational requirements, with their starter plans including core functionalities such as PMS integration and basic channel management, while higher tiers offer advanced analytics, direct booking tools, and automation features.

Hospitality enablers perform a range of integrated functions that simplify operations and support commercial outcomes. Key functionalities typically include:

- **Reservation processing:** Automates the flow of booking data from various channels into the hotel's PMS.
- **Room inventory management:** Centralises control of room availability across platforms to reduce overbooking and ensure real-time accuracy.
- **Dynamic pricing updates:** Supports automated rate adjustments based on demand, occupancy, or market conditions.
- **Channel synchronisation:** Maintains consistent pricing and availability across OTAs, GDS, and direct booking channels.

Direct booking tools such as booking engines, automated marketing systems, and website enhancement modules are also commonly provided to support customer acquisition and increase revenue from non-commissionable sources.

Advanced features also include customer relationship management (CRM) systems and analytics dashboards, which help properties track performance, understand guest behaviour, and refine sales strategies. For properties with limited technical capabilities, enablers also provide implementation support and serve as key digital operations partners.

6. OTAs and travellers

OTAs provide platforms where travellers can leave feedback, allowing them to share reviews and ratings about their experiences. Reviews are typically solicited after a traveller completes their stay, with OTAs sending

email requesting feedback. All reviews, whether positive or negative, will remain visible, unless they contain sensitive content, such as promotional material, politically sensitive remarks, or fake reviews. Once the review is posted, the responsibility to manage and respond to these reviews falls on the properties, as OTAs do not intervene or assist in addressing negative comments.

For some OTAs, such as Agoda, submitted reviews undergo approval by their own content teams to ensure they meet platform guidelines. Additionally, some OTAs may remove older reviews to keep the review page relevant. For example, Booking.com removes reviews after 36 months or when a property undergoes a change of ownership²²⁴.

OTAs also leverage a wide range of marketing tactics to attract and engage travellers. These include digital advertising campaigns, such as digital ads, search engine marketing (SEM), and social media outreach, as well as email marketing to directly connect with potential customers. OTAs also invest heavily in SEO to ensure their listings rank prominently in organic search results, increasing visibility and reach.

To build loyalty and encourage repeat business, many OTAs offer loyalty programs. For instance, Booking.com's "Genius" program provides members with exclusive discounts, free room upgrades, and perks such as early check-in and late check-out. Similarly, Agoda's loyalty program offers rewards such as discounts and cash rebates for returning customers. These initiatives strengthen customer retention and enhance brand affinity.

Beyond traditional promotions, OTAs employ strategies such as flexible payment options, last-minute deals, and early-bird discounts to appeal to a wide range of travellers. They also utilise customer reviews and ratings to build trust and credibility, encouraging new users to book through their platforms. When browsing, the onus is on travellers to understand how these aspects work, such as whether selected tags (e.g., preferred property, last-minute deals) are truly relevant to them. Being aware of this

²²⁴ Booking.com. How guest reviews work.
https://www.booking.com/reviews_guidelines.en-gb.html

helps ensure they are viewing the most relevant options according to their preferences.

By leveraging vast customer databases and advanced analytics, OTAs personalise marketing effort, tailoring offers and recommendations to match individual traveller preferences, ultimately driving higher engagement and conversion rates.

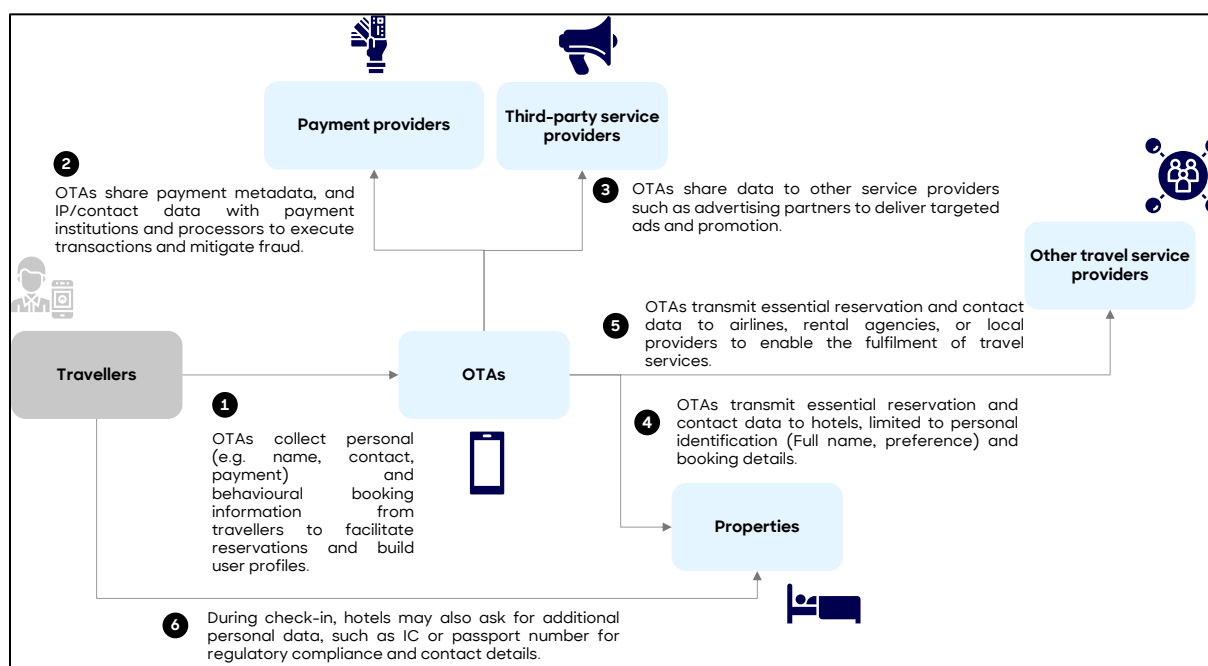
Figure 40: Marketing events by Agoda and Booking.com

The screenshot displays the Booking.com checkout interface. The top navigation bar includes the Booking.com logo, the currency MYR, and links for 'List your property', 'Register', and 'Sign in'. The main content area is divided into three sections: 'Your selection', 'Your details', and 'Finish booking'. The 'Your selection' section shows a hotel with a 'Very good - 501 reviews' rating and amenities like 'Free WiFi', 'Airport shuttle', 'Parking', 'Restaurant', and 'Swimming Pool'. The 'Your booking details' section shows a check-in on 'Sat 21 Dec 2024' and a check-out on 'Sun 22 Dec 2024' for a total length of stay of 1 night. The 'Your price summary' section shows a price of 'MYR 360'. The 'Your details' section includes a 'Save your details' form and a 'When would you like to pay?' section with options for 'Pay at the property', 'Pay on 18 Dec 2024', and 'Pay now'. The 'Finish booking' section features a grid of marketing offers, including 'Up to 5% off', 'Up to 8% off', 'Limited Time Price Drop', 'Elite Offers', 'Premium Offers', 'Select Offers', 'agodaVIP', 'Domestic Deals', and 'International Deals'.

Source: Agoda and Booking.com

5.1.4 Data privacy and protection

Figure 41: Data sharing practices among OTAs and service providers

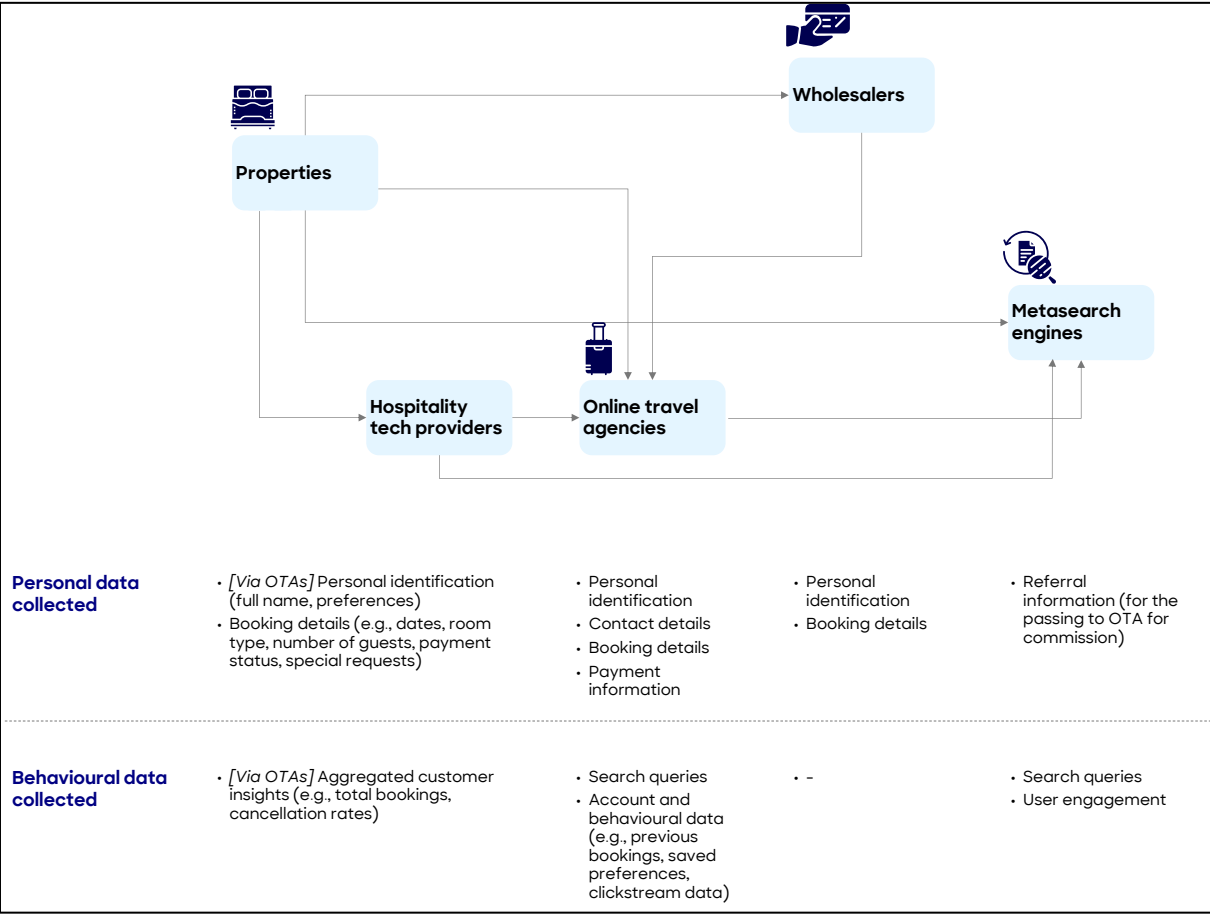


Source: MyCC analysis

Online Travel Agencies (OTAs) operate at the centre of a data-driven travel booking ecosystem, where multiple stakeholders such as travellers, accommodation providers, payment processors, and marketing networks interact through the exchange of personal, behavioural and transactional data. The diagram above illustrates the key data flows between OTA platforms and service providers, from initial data collection during the booking process to the distribution of essential traveller information across the wider travel services ecosystem. These practices are governed by a combination of commercial necessity, regulatory compliance and platform-specific policies aimed at enhancing service fulfilment, fraud prevention, and user personalisation.

Key user data collected by each player along the supply chain include:

Table 19: Types of data collected by key players along the supply chain²²⁵



Source: MyCC analysis

5.1.4.1 Data privacy and protection assessment

Assessment is carried out on key OTA players in Malaysia, Agoda and Booking.com, which collectively possess approximately 80% of the market in Malaysia (in terms of transaction value)²²⁶.

The primary rationale for selecting these key OTA players lies in the recognition that Malaysian consumers predominantly rely on such

²²⁵ Input from IDI; Agoda (2025). Agoda privacy policy. <https://www.agoda.com/en-gb/info/privacy.html?ds=r101UVx3Le5jZQo%2F> ; Booking.com (2025). Privacy notice and cookie statement. <https://www.booking.com/content/privacy.en-gb.html> ; Booking.com (2024). Booking Holdings Inc.’s Digital Markets Act compliance report. <https://www.bookingholdings.com/wp-content/uploads/2024/11/DMA-Compliance-Report.pdf>
²²⁶ Input from IDI.

platforms for booking and browsing accommodation options. However, their data practices may differ from those of other competing OTA platforms, which could influence the extent and manner of data collection, usage, and sharing.

Although both companies fall under the same parent company, Booking Holdings, there are selected areas of their data management approach that diverge, particularly in the area of infrastructure and data security strategy.

A key distinction lies in the choice of cloud infrastructure. Agoda runs on a private cloud, having built and maintained its own data centres. This model is aimed at reducing costs at scale, and able to maintain greater control over data storage and usage²²⁷. In contrast, Booking.com leverages cloud-based services such as Amazon S3 and Snowflake, aligning with a strategy focused on scalability, agility, and global policy enforcement. It has adopted a centralised data governance framework, enabling consistent implementation of data access policies across its operations. Additionally, Booking.com embedded fine-grained access controls into its data management processes, including row filtering and column masking, which add a granular layer of security to how user data is accessed and processed²²⁸.

Despite the differences, both platforms are aligned in data privacy and protection practices (see below for more details). Additionally, at the Booking Holdings group level, strict measures are in place to separate user data between brands. For example, it explicitly states that personal data collected by one of its OTA is not shared with sister OTAs in ways that could allow them to use such data competitively against accommodation partners²²⁹.

²²⁷ Agoda (2022). How Agoda transitioned to private cloud. <https://medium.com/agoda-engineering/private-cloud-and-you-736d8d99a51e>

²²⁸ Immuta (2025). How data modernization fuels innovation at Booking.com. <https://www.immuta.com/blog/how-data-modernization-fuels-innovation-at-booking-com>

²²⁹ Booking Holdings (2024). Booking Holdings Inc.'s Digital Markets Act compliance report. <https://www.bookingholdings.com/wp-content/uploads/2024/11/DMA-Compliance-Report.pdf>

That said, anonymised or aggregated insights may still be shared across the group to enhance operational efficiency or improve user experience²³⁰.

Below details Agoda and Booking.com’s data privacy and protection policies, and its alignment against PDPA’s core principles.

Table 20: Assessment of Agoda and Booking.com’s alignment to PDPA principles

PDPA principle	Player	Data privacy and protection policies ²³¹
General	Agoda	• Privacy policy outlines that data is only processed for specific purposes related to the booking, e.g., fulfill booking services, provide support, manage user accounts, and comply with legal obligations. • Also specifies that data provided is reliant on user consent and contractual necessity.
	Booking.com	• Privacy policy highlighted that that personal data is processed for specified and legitimate purposes, including but not limited to booking facilitation, customer support, fraud prevention, and legal compliance. • Also notes that consent will be obtained prior to the processing of personal data
Notice and choice	Agoda	• Provides a privacy notice which details data collection purposes, third-party recipients and user choices • Allows users to opt in or out of marketing communications and tracking

²³⁰ Input from IDI.

²³¹ Agoda (2025). Agoda privacy policy. <https://www.agoda.com/info/privacy.html?cid=1844104&ds=m%2BCUJCnxl8Mwt1xj> ; Booking.com (2025). Privacy and cookie statement. <https://www.booking.com/content/privacy.html>

PDPA principle	Player	Data privacy and protection policies ²³¹
	Booking.com	• Provides a privacy statement on website and during booking • Travelers are informed on the type of data collected, purposes and potential third-party sharing • Also allows users to manage preferences on marketing communications
Disclosure	Agoda	• States that guest information is shared with hotels, business affiliates, analytics services, and authorities • Also highlights that personal data will only be disclosed when necessary and strictly for the intended purpose
	Booking.com	• Details types of third parties (hotels, payment providers, legal authorities) that may receive guests' personal data • Also states that data will only be shared when necessary or legally required.
Security	Agoda	• Details the use of encryption, access control, secure data storage, and internal data protection protocols to protect users' information • States that it will maintain appropriate protections for cross-border transfers as required by law for international data transfers
	Booking.com	• Highlights that it uses appropriate business systems and procedures to safeguard information including personal data • Commits to applying appropriate safeguards to make sure that cross-border transfers of personal data comply with applicable law and seek to ensure

PDPA principle	Player	Data privacy and protection policies ²³¹
		that user data continues to receive a comparable level of protection
Retention	Agoda	States that data is retained only for the duration necessary to fulfill booking, legal, or internal business purposes
	Booking.com	Specifies that personal data is retained as long as it is necessary to comply with all relevant obligations, e.g., tax, accounting, and recordkeeping
Data integrity	Agoda	Allows users to edit or update their personal data via their account or by contacting customer support
	Booking.com	Similarly, users are allowed to view and update their personal data in their Booking.com account
Access	Agoda	Enables users to access and correct their personal data via account settings or by submitting a formal request
	Booking.com	Users able to request a copy of their personal data via Booking.com's Data Subject Access Request (DSAR) process²³²

Source: Agoda, Booking.com

While both Agoda and Booking.com's policies demonstrate alignment with Malaysia's PDPA, vulnerabilities have still been observed, particularly in the area of data security.

In 2018, Booking.com was fined by the Dutch Data Protection Authority (DPA) for failing to report a data breach within the 72-hour window required under the GDPR. The incident involved unauthorised access to the

²³² Booking.com (2025). Exercise your rights regarding your personal data. <https://www.booking.com/content/dsar.html>

personal data of over 4,100 customers who had booked hotels in the UAE, including names, contact details, and booking information²³³.

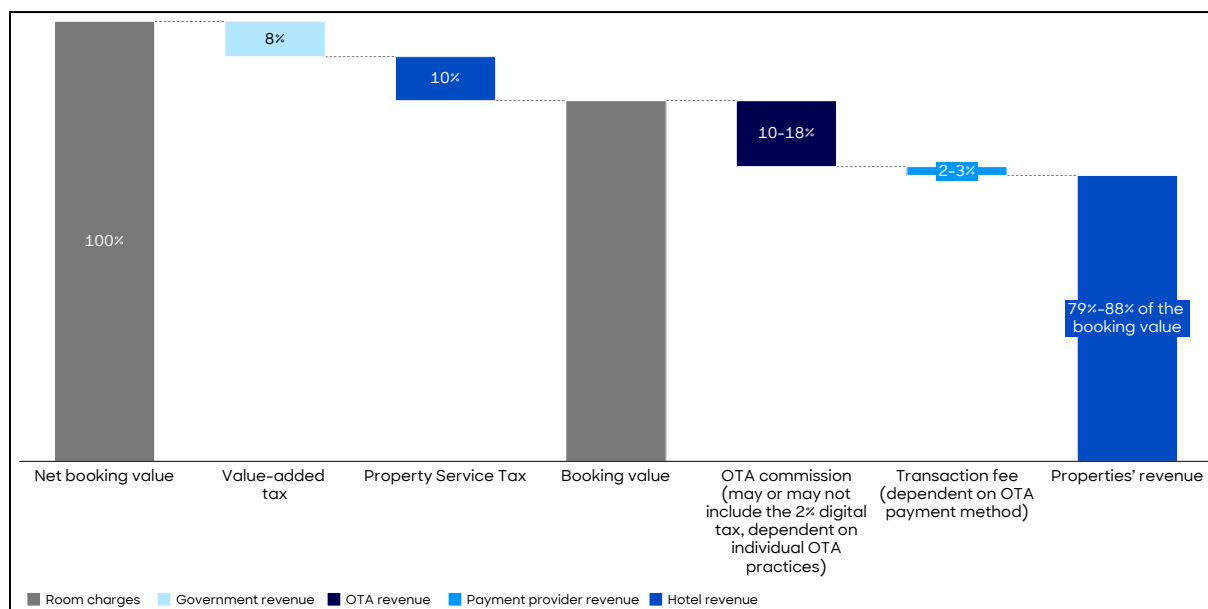
Separately, in 2020, Prestige Software, a third-party vendor used by several OTAs including Agoda, Booking.com, Expedia, and Hotels.com, failed to properly configure its public cloud storage, resulting in 24.4 GB of data dating back to 2013 being publicly exposed. The leaked information included full names, national ID numbers, credit card details (including card verification value (CVV) codes), and reservation records²³⁴.

²³³ Forbes (2021). Booking.com hit with €475,000 GDPR fine for late reporting of data breach. <https://www.forbes.com/sites/carlypage/2021/04/02/bookingcom-hit-with-475000-gdpr-fine-for-late-reporting-of-data-breach/>

²³⁴ ComputerWeekly.com (2020). Leaky AWS S3 bucket once again at centre of data breach. <https://www.computerweekly.com/news/252491842/Leaky-AWS-S3-bucket-once-again-at-centre-of-data-breach>

5.1.5 Supply chain take rates and approximate earnings by supply chain players

Figure 42: OTA sub-sector take rates [%]



Source: Interaction with industry players and MyCC analysis

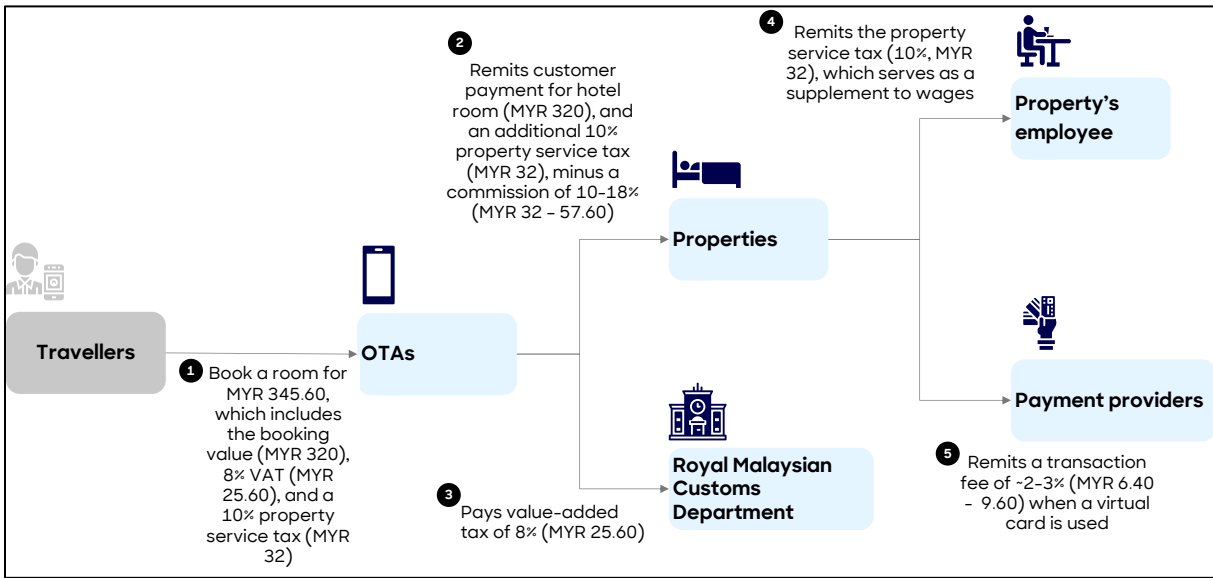
Depending on their strategy to reach travellers and drive traffic, properties may involve multiple intermediaries in the transaction process. For distribution of inventory through OTAs, the said agencies receive payment from the travellers via its platform, with the amount paid representing the net booking value. The net booking value consists of three components, value-added tax/sales and service tax (VAT/SST) and the property service charge (varies between properties) and booking value (price). For SST, the Malaysian government imposes it on the traveller at 8% of the net booking value. Additionally, some properties may apply a property service charge of 10%, which is passed on to travellers. Historically, this charge served as a supplement to employee wages when the Malaysian government had yet to adjust the minimum wage. However, with the government increasing the minimum wage to MYR 1,500 in 2022, this charge is today rarely imposed by properties.

After subtracting the SST and property service charge, the booking value is determined. From this amount, OTAs deduct a commission fee, which

typically ranging from 10% to 18%. Previously, OTA commission rates were structured as flat rates based on region and negotiated under a master SLA. However, commission structures have since evolved, with rates now varying from property to property, influenced by factors such as property performance, market demand, and exclusivity agreements. While OTA commission rates historically sat around ~10%²³⁵, they have since increased, with some platforms now charging as high as 18%.

The remaining balance is then transferred to the properties through two methods. The first method involves a direct bank transfer to the properties. Alternatively, OTAs may issue a virtual card, which the property can use to charge the booking amount immediately. However, this method incurs transaction fees (~2-3%) from external payment providers that the property must bear. Ultimately, after all deductions, the property typically retain approximately ~79-88% of the booking value paid by the traveller.

Figure 43: Approximate earnings by supply chain players (example)



Source: Interaction with industry players and MyCC analysis

²³⁵ Cloudbed (2024). A guide to OTA commission rates. <https://www.cloudbeds.com/online-travel-agencies/commissions/>

5.1.6 Sub-sector regulations

5.1.6.1 Relevant regulations

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
1	Innkeepers Act 1952 (Act 248) by the Ministry of Housing and Local Government (KPKT) 	Establishes the legal framework governing the responsibilities and liabilities of innkeepers in Peninsular Malaysia. It outlines provisions related to the safekeeping of guests' goods, the innkeeper's right to sell unclaimed property to recover debts, and limitations on the innkeeper's liability for loss or damage to guests' property.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
2	Tourism Industry Act 1992 (Act 482) by Ministry of Tourism,	Serves as the foundational legal framework for regulating Malaysia's tourism sector, focusing on the licensing and oversight of tourism-related	Does not explicitly mention matters related to competition.	Does not explicitly mention matters related to data privacy and

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
	Arts and Culture (MOTAC) 	businesses to ensure quality and professionalism. By establishing standards, regulatory oversight, and enforcement mechanisms, the Act seeks to ensure the professionalism and accountability of tourism enterprise, thereby indirectly supporting consumer confidence and industry integrity.	However, selected provisions may influence the competition landscape by regulating entry and operations within the tourism sector. For example, operators may only be granted license after having undergone training and passing the test of proficiency conducted by the Commissioner of Tourism.	protection. However, Section 35 sets out an obligation of secrecy on persons involved in the administration of the Act, which may be relevant to the handling of information submitted by tourism operators. Key provision include: • Section 15: <i>Duty to submit information</i>

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
			Key provisions include: • Section 5: <i>Tourism enterprises to be licensed</i> • Section 7: <i>Grant of or refusal to grant licence</i> • Section 8: <i>Revocation of licence</i> • Section 9: <i>Appeal</i>	<i>and particulars relating to business operations</i> • Section 35: <i>Obligation of secrecy</i>
3	Tourism Industry (Tour Operating Business and Travel Agency Business)	Regulates licensing, operations, and compliance standards for tour operators and travel agencies in Malaysia.	Does not explicitly mention matters related to competition. However, selected	No explicit mention of matters related to data privacy and protection.

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
	Regulations by MOTAC 	It ensures accountability, consumer protection, and operational standards within the tourism industry.	provisions may indirectly influence competition landscape by governing licence issuance and operational conditions. For instance, registered operators with licenses will have to purchase an insurance package of up to RM100,000 for outbound tours. Key provisions include:	

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
			• Regulation 4: Determination on the suitability of the applicant • Regulation 5: issuance of license • Regulation 6: Conditions of license	

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
4	Tourism Industry (Registration, Classification, Reclassification and Rating of Tourist Accommodation Premises) Regulations 2003 by MOTAC 	Provide detailed procedures for registering tourist accommodation premises, assigning classifications (e.g. star ratings), reclassifying premises, and issuing rating certificates. They set out application requirements, inspection regimes, criteria for classification and re-classification, and the issuance of rating certificates.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
5	Tourism Tax Act 2017 (Act 791) by RMCD under MOF	Establishes a legal framework for imposing tax on tourists staying at accommodation premises in Malaysia, with the objective of generating revenue	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
		to develop and promote the tourism sector. It outlines the responsibilities of accommodation operators, including digital platform service providers, to collect, report, and remit the tax. The Act also sets out enforcement powers, including inspections and seizure of documents, and includes provisions on confidentiality of information.		protection. However, certain provisions require the retention and accessibility of transaction records by accommodation operators and digital platform service providers. Key provisions include: • Section 17: Duty to keep records • Section 20J: Duty to keep record

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
6	Tourism Tax Regulations 2017 by RMCD under MOF 	Outline the procedures and obligations related to the registration of accommodation operators, collection and remittance of tourism tax, issuance of credit and debit notes, as well as record-keeping and reporting requirements.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
7	Tourism Tax (Digital Platform Service Provider Regulations 2021) by RMCD under MOF 	The Regulations extend the tourism tax framework to digital platform service providers that offer online accommodation booking services. The Regulations outline procedures and obligations related to DPSP registration, collection and remittance of tourism tax, issuance of credit/debit notes, record-keeping, and reporting.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
8	Tourism Tax of (Compounding Offences)	Provide a legal mechanism for compounding offences.	No explicit mention of matters related to competition.	No explicit mention of matters related to

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
	Regulations 2023 by RMCD under MOF 	Schedule 1 of the Regulations specifies that offences under the Tourism Tax Act 2017 (except Sections 39 and 58), offences under the Tourism Tax Regulations 2017, and offences under the Tourism Tax (Digital Platform Service Provider) Regulations 2021 are compoundable.		data privacy and protection.
9	Tourism Vehicles Licensing Act 1999 (Act 594) by MOTAC 	Establishes a regulatory framework for the licensing and regulation of tourism vehicles in Malaysia, including motor vehicles, boats, or aircraft used to carry tourists for hire. It outlines the application process, conditions for granting and renewing licences, and penalties for non-compliance.	No explicit mention of matters related to competition. However, certain provisions may indirectly promote transparency and fair practices through regulatory oversight. Key provisions include:	No explicit mention of matters related to data privacy and protection.

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
		The purpose of the Act is to ensure that tourist vehicles are safe, reliable and up to code.	• Section 10: Conditions which may be attached to licence • Section 21: Other transport interests to be disclosed by applicant • Section 22: Information requested by the Commissioner from the holder of a licence	
10	Tourism Vehicles (Licensing and	Prescribe the procedures and regulatory conditions governing the licensing,	No explicit mention of matters related	No explicit mention of

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
	Control of Tourism Vehicles) Regulations 2000 by MOTAC 	renewal, variation, and operation of tourism vehicles in Malaysia, including excursion buses and hire-and-drive cars. The Regulations detail the application process, criteria for assessing suitability, issuance and display of licences, required insurance coverage, use of licensed tourist guides, vehicle markings, and mandatory record-keeping obligations for operators.	to competition. However, certain provisions may indirectly affect competition by imposing entry and operational requirements on licence applicants and holders. • Regulation 4: Determination on suitability of applicant • Regulation 6: Conditions of licence for authorized vehicle	matters related to data privacy and protection.

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
			Regulation 12: Records to be maintained	
11	Perak Hotels Enactment 2023 (Enactment 17) by the Perak State Government 	Establishes a legal framework to regulate the licensing, operation, and oversight of hotels and short-term rental accommodation (STRA) establishments within the state of Perak. The Enactment aims to ensure safety, hygiene, and service quality standards in the hospitality sector, and to support the structured development of the state's tourism industry. It applies to various forms of accommodation including hotels, motels, lodging houses, guesthouses, boat houses, campsites, homestays, and short-term rental units such as Airbnb. All operators are required to obtain a license from the relevant Local Authority (PBT) before commencing operations.	No direct mention of matters relating to competition. However, the Enactment promotes a level playing field by mandating a common licensing and compliance framework across all accommodation providers including STRAs. This reduces regulatory arbitrage and ensures that all players are subject	No explicit mention of matters related to data privacy and protection.

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
			to the same baseline standards. For example, only licensed operators may legally offer STRA services and unlicensed operators are subject to penalties including fines up to RM 100,000 or imprisonment of up to five years or both. Key provisions include: • Section 3: Hotel licensing	

#	Acts	Description	Relevance to competition	Relevance to data privacy and protection
			• Section 4: Application for a licence • Section 6: Duration and renewal of licence • Section 13: Suspension or revocation of licence	

5.1.6.2 Relevant guidelines

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
1	ASEAN Tourism Standards by Association of Southeast Asian Nations (ASEAN)  ASEAN Committee on Consumer Protection (ACCP)	The ASEAN Tourism Standards outlines the development process of the ASEAN Tourism Standards, the criteria and requirements for six ASEAN Tourism Standards agreed upon by the ASEAN National Tourism Organizations, as well as the guidelines for certification, and the explanation of the ASEAN Tourism Standard Logo. The ASEAN Tourism Standards also help ASEAN Member Countries in certifying tourism services that meet the criteria and requirements in order to	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and competition.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		obtain an ASEAN Tourism Standard Logo. The six ASEAN Tourism Standards are: 1. Green Hotel 2. Food and Beverage Services 3. Public Restroom 4. Home Stay 5. Ecotourism 6. Tourism Heritage		
2	Muslim Friendly Hospitality Services (MFHS) Requirements (MS 2610:2015) by Department of Standards Malaysia (Standards Malaysia) under the Ministry of Investment, Trade and Industry (MITI)	Provides guidelines and requirements for managing tourism facilities, products and services for Muslim travellers in accommodation premises, tour packages and tourist guides, to ensure they are in accordance with Shariah principles. However, this standard is not applicable for health and beauty facilities such as spa	No explicit mention of matters related to competition.	While this standard does not directly mention data protection law, it addresses documentation and communication controls relevant to data handling in tourism services. Key paragraphs include:

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		and massage or any balneotherapy facilities, products and services.		Paragraph 4.5: <u>Documentation and storage</u> - Paragraph 4.5.1: The organisation shall establish a documented procedure to define the controls needed for the identification, storage, protection, retrieval, retention time and disposition records. - Paragraph 4.5.2: The organisation shall properly observe the placement, storage and handling of documents which contain <i>Quranic</i> verses.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				- Paragraph 4.5.3: The organisation shall ensure the disposition of records that contain Quranic verses is conducted according to the Shariah requirements when necessary. - Paragraph 4.5.4: Records shall remain legible, readily identifiable and retrievable. <u>Paragraph 4.6: Communication</u> - Paragraph 4.6.1: The management shall ensure that

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				appropriate communication processes are established within the organisation and that communication takes place regarding the compliances to Shariah requirements and the effectiveness of the MFHS system. • Paragraph 4.6.2: The organisation shall determine the need for internal and external communications relevant to the MFHS management system including:

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				a) on what it will communicate; b) when to communicate; and c) with whom to communicate. • Paragraph 4.6.3: The organisation shall ensure that every personnel working for and on behalf of the organisation is fully informed of MFHS management system. • Paragraph 4.6.4: The organisation shall determine and implement effective arrangements for communicating with

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				customers in relation to: a) product/service information to be true, valid and not misleading; b) updated list of all Muslim friendly products and services offered at the establishment to ensure Muslim guests are making an informed decision in their purchase; and c) customer feedback, including

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				customer complaints.
3	Service Tax 2018 (Guide on Accommodation) by the RMCD under MOF 	Assists accommodation service providers in understanding their tax obligations, including registration thresholds, taxable services, and compliance requirements under the Service Tax Act 2018 and its subsidiary legislation. The latest guide, dated 26 February 2024, incorporates the revised service tax rate from 6% to 8% (effective from 1 March 2024) for most taxable services, while certain specified services, including food and beverage services,	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		telecommunication services, and parking place services which remain subject to the 6% rate. The updated guide also clarifies that rental charges for placing telecommunication equipment on hotel rooftops and other related services fall within the scope of service tax. The guide includes detailed explanations and examples of what constitutes taxable accommodation-related services (e.g. homestays, service apartments, recreational facilities, seminar packages), as well as exemptions for certain categories such as		

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		government-owned accommodation and student hostels operated by registered institutions.		
4	Star Rating System for Hotels by MOTAC 	Administered by MOTAC pursuant to the <i>Tourism Industry (Registration, Classification, Reclassification and Rating of Tourist Accommodation Premises) Regulations 2023</i> , the system establishes a clear distinction between different categories of short-term accommodation including city hotel, resort, highland hotel, apartment hotel, budget hotel, boutique hotel, green hotel and innovative hotel based on factors such as development area, land size	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		and population demographics. Hotels are then rated from one to five stars depending on the quality of facilities, services, cleanliness and other prescribed criteria. This classification aims to provide consistency in hotel standards and to assist consumers in making informed choices.		
5	Guidelines for the Operation of Private Accommodation in the Landed Residential Scheme in the State of Penang by the City Council of Penang Island under Penang State Government	Provides a comprehensive and standardised framework for the legal operation of private accommodation (<i>Tempat Inap Persendiarian</i> , TIP) within landed residential schemes in Penang. The guidelines serve as a	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		reference for local authorities, tenants, property owners, and other stakeholders to regulate and enforce matters related to the operation of TIP in such schemes. For instance, property owners must obtain approval from relevant technical departments including the Town Planning Department, Building Department, and the Fire and Rescue Department of Malaysia (JBPM), Penang Island prior to the issuance of a business license by the local authority.		

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
6	Guidelines for the Operation of Private Accommodation in the Strata Property Scheme in the State of Penang by the City Council of Penang Island under Penang State Government 	Provides practical guidance to Joint Management Bodies (JMBs), Management Corporations (MCs), and property management agents on managing private accommodation (TIP) within strata schemes. Operators must obtain approval from the JMB/ MC via special resolution (3/4 majority) under subsections 32 (3) and 70 (2) of the Strata Management Act 2013 before notifying the local council. The guideline also sets limits on rental frequency, imposes safety, hygiene, and reporting obligations, and allows JMB/MCs to enforce compliance.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

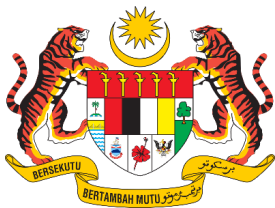
#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
7	Guidelines for Application for Organising Tourism Exhibitions Aimed at Selling or Promoting Domestic and International Tour Packages (<i>Garis Panduan Permohonan Penganjuran Pameran Pelancongan Yang Bertujuan Untuk Menjual Atau Mempromosi Pakej Pelancongan Dalam Dan Luar Negara</i>) by MOTAC 	Sets out the procedures, eligibility requirements, documentation, and responsibilities for organisers of tourism exhibitions intended to sell or promote domestic and international tour packages. All exhibitors must be licensed tourism operators under the Tourism Industry Act 1992, and organisers must obtain prior approval from the Commissioner of Tourism. The guideline also provides for enforcement powers, and states that non-compliance may result in penalties including a fine of up to RM10,000 or	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

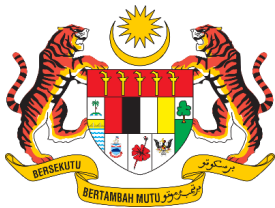
#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		imprisonment for up to two years or both.		
8	Guidelines for Application for Tour Operating and Travel Agency Business License (TOBTAB) License <i>(Garis Panduan Permohonan Lesen Perniagaan Pengendalian Pelancongan Dan Perniagaan Agensi Pengembaraan (TOBTAB)) by MOTAC</i>	Outlines the procedures and requirements for applying for a license for tour operating and travel agency business.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
				

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
9	Guidelines for Application for License for Additional Branch Office for TOBTAB <i>(Garis Panduan Permohonan Lesen Tambahan (Pejabat Cawangan) Perniagaan Pengendalian Pelancongan & Perniagaan Agensi Pengembaraan (TOBTAB)) by MOTAC</i>	Outlines the procedures and requirements for licensed tour operators and travel agencies to apply for a licence to open an additional branch office. It includes conditions relating to paid-up capital, licensing status, documentation, premises requirements, and approval timelines.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.



#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
10	Guidelines for Application for Renewal of TOBTAB License <i>(Garis Panduan Permohonan Pembaharuan Lesen (Ibu Pejabat & Pejabat Cawangan) Perniagaan Pengendalian Pelancongan & Perniagaan Agensi Pengembaraan (TOBTAB)) by MOTAC</i> 	Outlines the procedures and conditions for licensed tour operators and travel agencies to renew their head office and branch office license. Includes requirements on renewal timelines, supporting documentation (such as bank statements, tenancy agreements, and training certificates), and compliance with licensing conditions under the Tourism Industry Act 1992. Also sets out the consequences for late renewal and circumstances under which the licence may be revoked or not renewed.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
11	Guidelines for Application to Add License Category for Outbound Tourism Business for Umrah or Pilgrimage (<i>Garis Panduan Permohonan Tambah Bidang Lesen Perniagaan Pengendalian Pelancongan Luar Negeri Bagi Umrah Atau Ziarah</i>) by MOTAC 	Outlines the eligibility conditions and documentary requirements for licensed tour operators and travel agencies seeking to expand their license to include Umrah or pilgrimage.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.
12	Guidelines for Application for License to Add TOBTAB Category other than	Outlines the procedures and requirements for licensed tour operators and travel agencies that wish to add	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
	Umrah and Pilgrimage <i>(Garis Panduan Permohonan Lesen Tambah Bidang Perniagaan Pengendalian Pelancongan & Perniagaan Agensi Pengembaraan (TOBTAB) Selain Umrah Atau Ziarah) by MOTAC</i> 	new business categories to their existing TOBTAB licence, excluding Umrah and pilgrimage.		
13	Guidelines for Application for Change of Status and Location of TOBTAB Premises <i>(Garis Panduan Permohonan</i>	Outline the procedures and requirements for licensed tour operators and travel agencies that wish to change their registered business details, including	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
	<i>Perubahan Status Dan Lokasi Premis Perniagaan Pengendalian Pelancongan & Perniagaan Agensi Pengembaraan (TOBTAB)) by MOTAC</i> 	business premise location, paid-up capital or equity ownership, board of directors or shareholders, and company name. Approval from the Commissioner of Tourism must be obtained before any changes are made.		
14	Clean & Safe Malaysia Hotel Certification Guidelines by Malaysian Association of Hotels (MAH)	The “Clean & Safe Malaysia” certification programme is open to all MAH member and non-member hotels across Malaysia. It aims to ensure that appropriate health, safety and hygiene procedures are in place, in line with local regulatory	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection. However, the Guidelines require hotels to maintain temperature screening logs for employees and guests, and to retain

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		requirements and international standards. The Guidelines set out specific control measures covering employee management, guest services and vendor operations to support compliance with good hygiene practices, particularly in response to COVID-19.		event attendance and contact tracing records for a minimum of six months, which may have implications for data protection. Key parts include: • Part 4: Guests • Part 5: Management & Documentation
15	Guidelines on Registration of Tourist Accommodation Premises by MOTAC	Outlines the procedures and requirements for registering tourist accommodation premises in Malaysia, including application, documentation, and fee payment processes through the Tourism Industry Licensing System (SPIP).	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
				
16	Guidelines on Classification Appeal for Tourist Accommodation Premises (PPP) by MOTAC 	Outlines the procedures and requirements for tourist accommodation operators to appeal MOTAC's star classification ratings within a 21-day timeframe, including submission of appeal letters and reinspection by a new assessment team.	No explicit mention of matters related to competition.	No explicit mention of matters related to data privacy and protection.

5.1.6.3 Relevant codes

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
1	Code of Ethics by <i>Malaysian Association of Tour and Travel Agents (MATTA)</i> 	Provides guidance to members in ensuring good business practices and serves as a reminder of the universal values founded on the principles of integrity, competence and devotion to service in the travel and tourism industry. Aims to assist the industry in achieving high standards of professionalism, enhancing and upholding the dignity of the profession, and	No explicit mention of matters related to competition. However, the Code of Ethics promotes principles of fair competition and professional conduct among its members. Key paragraphs include: • Paragraph 5.1.3: Adherence to the Code Ethics signifies competence, fair dealing and high integrity. Failure to adhere to the Code may subject a member to disciplinary action in accordance with the	Addresses data privacy by explicitly requiring compliance with the Personal Data Protection Act 2010 and other applicable laws, and by underscoring the importance to safeguard the clients' confidential information. Key paragraphs include: • Paragraph 5.2.11: Members shall treat every transaction for clients in a confidential manner and not disclose any information without the prior written permission of clients, unless such disclosure is required by law. Members are required

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		enabling the Association and its members to be role models for others in the industry to emulate and engage in smart partnerships.	provisions of the MATTA Constitution and Code of Ethics. • Paragraph 5.1.4: MATTA members should ensure that they will conduct their business as to avoid controversies with their fellow members. It is therefore in the interest of all members that the following rules be observed: i. Members shall not disparage the business practice of a competitor, nor volunteer an opinion of a competitor's	to abide to the Personal Data Protection Act 2010 and any other laws relating thereto. • Paragraph 5.2.12: Members shall not make use of clients' lists or other confidential data obtained from an employee's former employers.

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
			transaction. If their opinion is sought, it should be rendered with strict professional integrity and courtesy. ii. Members shall not offer to or solicit from any trade principals, suppliers, licensing or enforcement authorities, any gifts, favours, or hospitality intended as, or having the effect of, bribery and corruption, for the purpose of securing	

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
			preferential consideration or privileges.	
2	MAMPU Guidebook: Getting Started for Hotels in Malaysia by National Digital Department (JDN), formerly known as MAMPU under the Ministry of Digital 	Outlines the regulatory requirements, licenses, and approvals needed to establish and operate a hotel in Malaysia. It consolidates procedures across multiple agencies (e.g., Companies Commission of Malaysia (CCM), MOTAC, Inland Revenue Board (IRB), Malaysian Investment	No explicit mention of matters related to competition.	Does not explicitly mention any matters related to data privacy and protection. However, several stages involve the collection and submission of sensitive personal and corporate data, which might raise data privacy and protection implications. Stages such as employer/employee registration serves as a good tool to collect accurate and clear data for further references. Key stages include:

#	Regulation	Description	Relevance to competition	Relevance to data privacy and protection
		Development Authority (MIDA)), serving as a step-by-step compliance roadmap for investors and entrepreneurs in the hospitality sector.		• Stage 1: Company Registration • Stage 2: Employer/Employee registration • Stage 4: Additional approvals

5.1.6.4 Issues and gaps in the OTA regulatory environment

1. Regulatory framework gaps

- ***Lack of legal clarity on OTA operations***

Malaysia's regulatory framework for OTAs is primarily governed by the Tourism Industry Act 1992 (Act 482). Enacted before the advent of digital platforms, this legislation mandates licensing for traditional travel agencies but does not explicitly address the operations of digital-first or online-based OTAs. Additionally, foreign OTAs operating without a physical presence in Malaysia fall outside the scope of this Act, leading to regulatory ambiguities. This regulatory gap creates an uneven playing field as domestic travel agencies are required to obtain licences, adhere to insurance schemes, and fulfil tax obligations as stipulated by the Act. In contrast, foreign OTAs can operate without meeting these requirements, thereby potentially disadvantaging compliant local businesses. For instance, while local agencies must navigate rigorous licensing processes, international platforms can offer similar services to Malaysian consumers without equivalent regulatory oversight. This may also limit MOTAC's ability to enforce minimum service standards, resolve consumer disputes effectively, or compel compliance with local insurance and safety frameworks.

Although the introduction of the TOBTAB license by MOTAC requires businesses to register for a license to operate as a tour operator or travel agency, this requirement only applies to operators with a physical office in Malaysia. This potentially creates regulatory loopholes for foreign operators conducting business from outside the country.

By comparison, the Maldives government updated its Travel Agency Regulation in 2021. The updated regulation aims to help local operators reduce obstacles in their business while simultaneously promoting fair competition with foreign operators. For instance, the new regulation provides that the representative office of a foreign tour operator/online travel agency must be established with an affiliated local travel agency and such an office will only be allowed with a special permit from the

Ministry of Tourism²³⁶. This aims to prevent foreign travel agencies from operating in the Maldives without a local partner as their services can only be provided via an affiliate office established together with a local travel agency, thereby making enforcement of certain provisions easier.

As of May 2025, MOTAC has initiated a review of the Tourism Industry Act in August 2023. This review aims to strengthen governance within Malaysia's tourism sector, with proposed amendments including the registration of digital platforms and the establishment of a Tourism Tribunal²³⁷. These reforms present an opportunity to clarify the status of OTAs under the law, introduce a mandatory registration regime for online platforms serving Malaysian consumers, and provide clearer jurisdictional hooks to address cross-border enforcement challenges.

- ***Outdated legal terminology and scope***

Due to the current legal framework (Tourism Industry Act 1992) being enacted in 1992, it may not be as updated in terms of terminology, and it is limited in its scope of coverage. This means that OTAs are often not held responsible for common service issues. These may include pricing discrepancies, overbookings, or failures by third-party suppliers. In the absence of updated statutory obligations, affected consumers have limited means of seeking redress through MOTAC or other administrative channels.

By comparison, the European Union (EU) has adopted modern legal tools to regulate online intermediaries, thereby creating a safer and more transparent online environment. The *Digital Services Act (DSA)* sets out due diligence obligations for online platforms, which covers OTAs. It requires platforms to provide accessible complaint-handling (Article 20) and dispute resolution mechanisms for consumers (Article 21)²³⁸. For example, the DSA requires online platforms to appoint a single point of contact for

²³⁶ <https://psmnews.mv/en/82771> CTL Strategies (2021). Travel agency regulation. <https://www.ctlstrategies.com/latest/travel-agency-regulation-2/>

²³⁷ The Edge Malaysia (2025). MOTAC expects to complete review of Tourism Act by early next year. <https://theedgemaalaysia.com/node/755187>

²³⁸ European Commission (2022). Digital Services Act. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/digital-services-act_en

users and regulatory bodies (Articles 11 and 12). This ensures users can easily reach the platform to report concerns, make complaints, or seek clarification. It also enables direct communication with regulatory bodies for the enforcement of the DSA. Failure to comply with these obligations may result in administrative penalties, thereby reinforcing accountability among online service providers.

Moreover, in November 2023, the EU revised the Package Travel Directive (PTD) to expand the definition of "package" to include situations where an OTA, or any other trader, composes a trip from separate travel services selected by the traveller at a single point of sale (whether online or offline), thereby treating the arrangement as a package under the PTD. Under the PTD, a “package” may be formed even when travel services are selected separately but purchased through a single interface, such as an OTA website, during a single booking session (Article 3(2)). This means an OTA can be an "organiser" if they put together a package, even if they do not directly provide all the services²³⁹. Further, the PTD requires organisers to provide security for refunds and repatriation in case of insolvency (Article 17) and sets out the traveller’s rights to cancel and obtain a refund under certain conditions (Article 12). This helps to streamline consumers’ booking experiences and reduces the chances of failure to deliver by third-party suppliers. Malaysia currently does not have an equivalent directive in place and instead relies on its own set of rules and guidelines within the broader framework of tourism and consumer protection laws.

2. No centralised regulation for STRAs and hotels

Table 21: Operational requirements for properties and STRAs

Key requirements	Properties	STRAs
Tourism Tax (TTx) ²⁴⁰	MYR 10 per room per night (applicable for	Not applicable

²³⁹European Parliament (2023). The performance of the Package Travel Directive and broader consumer protection issues in the implementation of passenger rights. [https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU\(2023\)740097](https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU(2023)740097)

²⁴⁰ RMCD (2018). General guide on tourism tax. <https://www.myttx.customs.gov.my/wp-content/uploads/2022/05/APPENDIX-A-General-Guide.pdf>

Key requirements	Properties	STRAs
	foreign guests only)	
Service Tax ²⁴¹	• 8%	• 8%
Heritage Tax ²⁴²	• MYR 2-5 per room per night (in Melaka and Penang only)	• Not applicable
Pahang Lestary Fee ²⁴³	• MYR 3 per room per night (Pahang only)	• Not applicable
Service Charge	• 10% discretionary fee added to total bill, often used to supplement staff wages	• Not applicable
Licenses/permits	• Fire department certification (Bomba) • Public entertainment license (if relevant) • Trade license	• Approval from local authority (applicable to only STRAs in Perak and Penang Island)

Source: MyCC analysis

²⁴¹ RMCD (2024). Transitional rules for the change in service tax rate to 8% on digital service provided by foreign registered person. <https://mystods.customs.gov.my/storage/app/media/pdf/guide/guide-on-transitional-rules-for-the-change-in-st-rate-to-8-on-digital-service-provided-by-frp.pdf>

²⁴² Kerajaan Negeri Melaka (2025). Sistem caj warisan. <https://cw.melaka.gov.my/index.php/main>; Buletin Mutiara (2023). Penang implements Hotel Fee Online System to streamline payment process. <https://www.buletinmutiara.com/penang-implements-hotel-fee-online-system-to-streamline-payment-process>

²⁴³ Pejabat kewangan dan perbendaharaan negeri Pahang Darul Makmur (2021). Notis: Fi kelestarian. <https://pkn.pahang.gov.my/index.php/sumber/fi-kelestarian/143-notis-fi-kelestarian/file>

Traditional hotel operators have raised concerns about an uneven playing field, noting that STRAs are not subject to the same regulatory, licensing, and tax requirements. Unlike hotels, which must comply with multiple permits, standards, and tourism taxes, many STRA operators operate informally or with minimal oversight²⁴⁴, leading to complaints of regulatory and cost imbalances in the sector.

STRAs, such as those offered through Airbnb, Booking, Agoda, and Expedia, are not currently subject to a centralised regulatory framework at the federal level in Malaysia. Instead, regulation is undertaken at the state and local levels. Certain states municipal councils such as Pahang and Perak have enacted state-level laws to regulate STRAs and hotels through specific enactments, while in other jurisdictions, regulation is carried out by local authorities pursuant to by-laws made under sections 102 and 102A of the Local Government Act 1976. These by-laws typically govern the licensing and operation of premises such as hotels, lodging houses and other forms of accommodation, which does not include STRA activities. This decentralised approach has resulted in a fragmented environment with differing rules, licensing requirements, and enforcement mechanisms across states and local councils. The absence of a uniform framework creates legal uncertainty for both hosts and consumers, and may hinder effective oversight and compliance.

Several countries have taken steps to centralise STRA regulation. Japan, for instance, implemented the Private Lodging Business Act in 2018 to regulate STRAs, commonly known as "*Minpaku Law*". This law requires hosts to register with local authorities, limits rental operations to 180 days per year, and mandates compliance with safety and hygiene standards²⁴⁵. Additionally, platform operators like Airbnb are obligated to ensure that listed properties are registered and meet the stipulated requirements. The implementation of Japan's *Minpaku Law* has led to a significant reduction in unlicensed listings, with Airbnb removing approximately 80% of its

²⁴⁴ New Straits Times (2025). Govt urged to address unlicensed lodging or risk Visit Malaysia Year 2026's integrity. <https://www.nst.com.my/news/nation/2025/06/1225165/govt-urged-address-unlicensed-lodging-or-risk-visit-malaysia-year-2026s>

²⁴⁵ Straits Times (2017). Japan passes 'minpaku' home-sharing Bill, subject to strict conditions. <https://www.straitstimes.com/asia/east-asia/japan-passes-minpaku-home-sharing-bill-subject-to-strict-conditions>

Japanese listings to comply with the new regime ²⁴⁶. This proactive approach demonstrates the effectiveness of clear legal frameworks in regulating digital platforms and ensuring consumer protection.

Additionally, many STRA units in Malaysia operate without meeting basic safety, zoning, or taxation requirements. This can lead to safety risks, unfair market practices, and lost tax revenue for both local and federal authorities. Industry stakeholders warn that such unregulated STRAs not only pose consumer protection challenges but also jeopardise initiatives such as Visit Malaysia Year 2026²⁴⁷. In contrast, the Italian government has introduced a comprehensive regulatory framework to enhance transparency and oversight in the short-term rental sector. Central to this initiative is the National Identification Code (Codice Identificativo Nazionale, CIN), established under Decree Law No. 145 of December 18, 2023²⁴⁸. The CIN is a distinct code assigned to each residential unit used for short-term rentals which mandates that all properties intended for tourist rental contracts, including short-term rentals listed on platforms such as Airbnb, receive this code. Effective 1st January 2025, all properties intended for short-term rentals must obtain a CIN, which must be displayed in all advertisements and at the property itself. This measure is intended to create a level playing field, combat tax evasion and ensure that all rental properties are registered in a national database managed by Italy's Ministry of Tourism.

Since 2022, a national STRA guideline is currently in development by MOTAC and KPKT and is expected to be adopted by all local governments in Malaysia. As of June 2025, the study remains ongoing and has not yet been officially concluded. This initiative is a direct response to concerns raised by the Malaysian Budget and Business Hotel Association (MyBHA),

²⁴⁶ Nippon (2018). New Japanese law asks more of private lodgings industry. <https://www.nippon.com/en/currents/d00417/>

²⁴⁷ Travel and Tour World (2025). Malaysia urged to regulate new unlicensed short-term rentals threatening visit Malaysia Year 2026 and tourism in Kuala Lumpur, Penang, Langkawi, and across the nation. <https://www.travelandtourworld.com/news/article/malaysia-urged-to-regulate-new-unlicensed-short-term-rentals-threatening-visit-malaysia-year-2026-and-tourism-in-kuala-lumpur-penang-langkawi-and-across-the-nation/>

²⁴⁸ Traum Ferienwohnungen (2024). Understanding CIN: A guide for property owners in Italy. <https://www.traum-ferienwohnungen.de/vermieter-magazin/understanding-cin-a-guide-for-property-owners-in-italy/>

which has urged authorities to address the proliferation of unregulated STRA units and the unlicensed sale of lodging through OTAs and social media platforms. As part of this review process, KPKT is expected to reference the various city councils (e.g., Penang State Government) as proactive examples of local authorities that have already implemented structured and enforceable STRA regulations. The revised guidelines are anticipated to cover permissible property types, registration and licensing obligations, safety requirements, duration limits, and enforcement measures²⁴⁹.

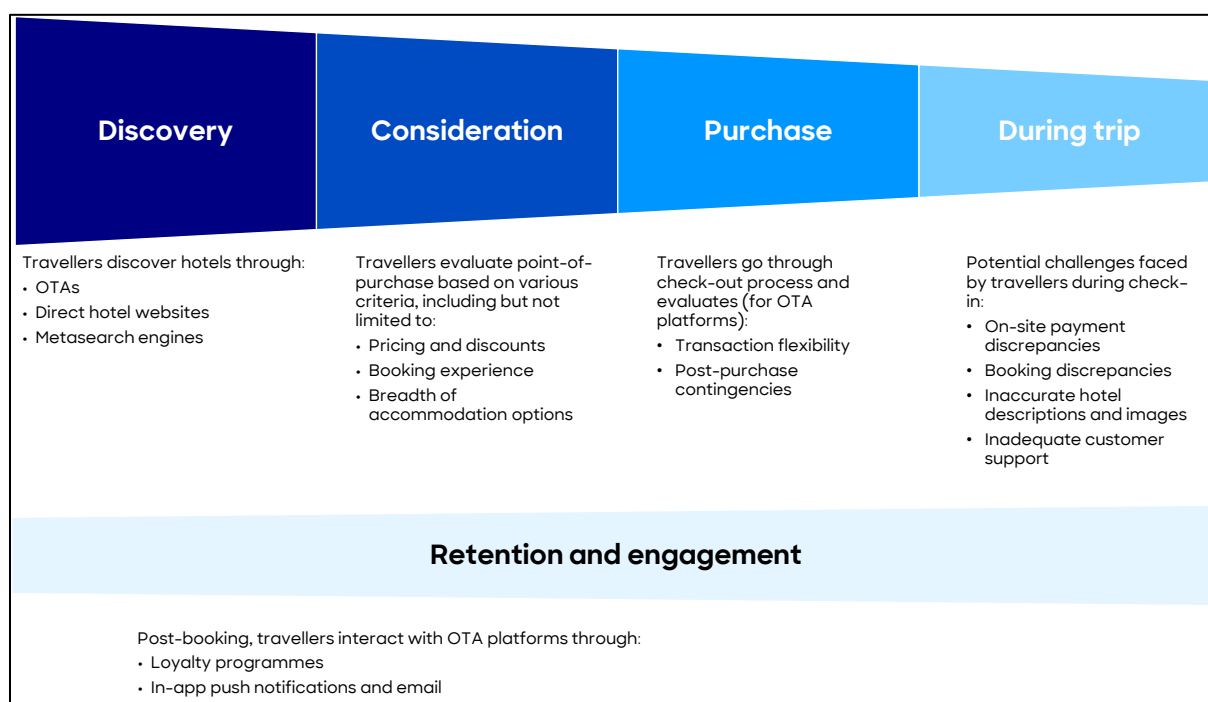
²⁴⁹ New Straits Times (2025). Short-term rental rules under review to protect consumers. <https://www.nst.com.my/news/nation/2025/06/1226123/short-term-rental-rules-under-review-protect-consumers>

5.1.7 Consumer behaviour

The consumer journey in the OTA sub-sector can be observed in five phases: discovery, consideration, purchase, during-trip experience, and retention. In the discovery phase, travellers begin searching for accommodation options through various digital channels. During the consideration stage, they evaluate their choices based on pricing and discounts, booking experience and breadth of accommodation options. The purchase phase marks the final decision and transaction, where travellers assess the check-out process on transactional flexibility and post-purchase contingencies. The journey continues into the during-trip phase, where expectations shift to the check-in experience. Post-booking, in the retention stage, consumers are re-engaged by loyalty programmes and in-app push notifications and emails.

The following outlines each phase of a consumer's journey:

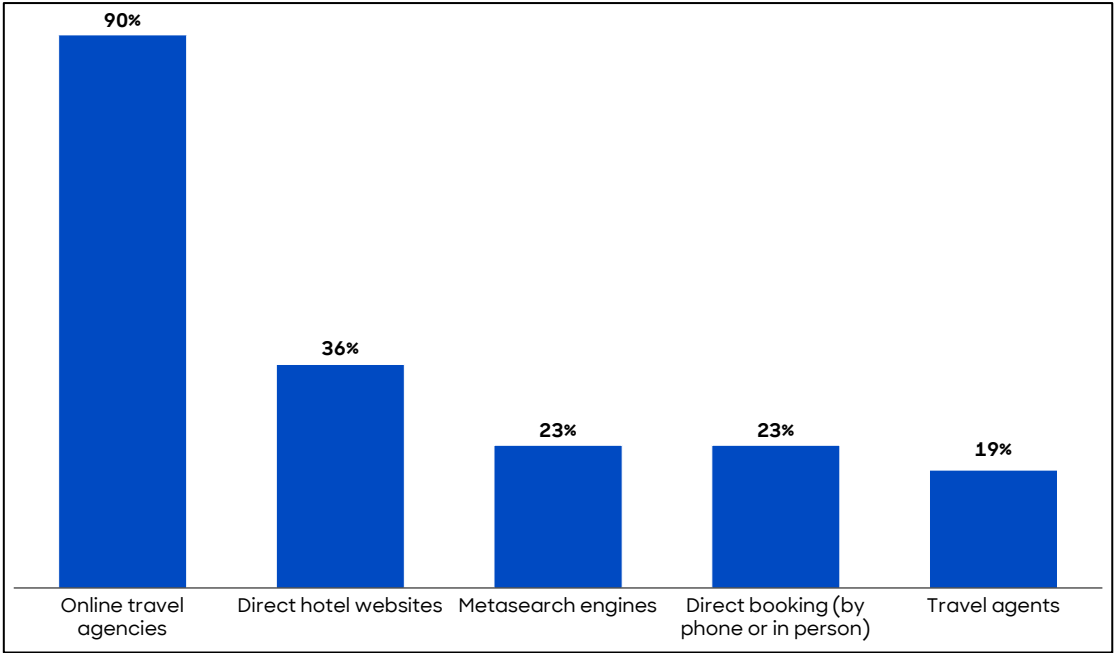
Figure 44: OTA platform consumer journey



Source: Secondary research and MyCC's survey

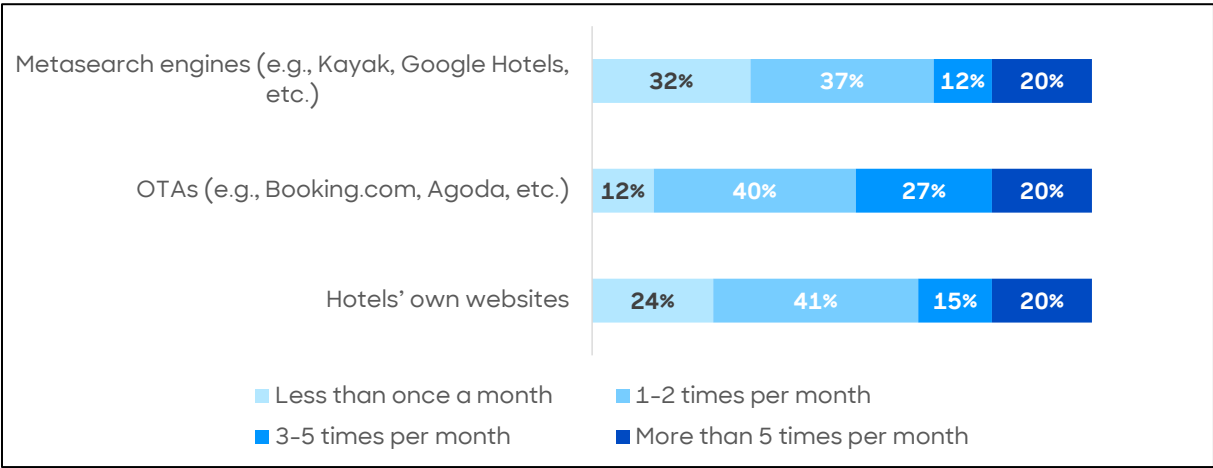
5.1.7.1 Discovery

Figure 45: Platforms used by survey respondents for accommodation discovery and booking, June 2025 [%]²⁵⁰



Source: MyCC’s survey

Figure 46: Accommodation booking platform usage frequency, June 2025 [%]²⁵¹



Source: MyCC’s survey

²⁵⁰ MyCC’s survey.
²⁵¹ MyCC’s survey.

Malaysians looking to discover choice of accommodation are found to rely on three key types of online source:

OTA: Widely used by as an entry point for property discovery, with 90% of survey respondents using online sites such as Agoda, Booking.com, Traveloka, Expedia, Hotels.com, and Airbnb. As OTAs have a wide variety of property choices, travellers could browse through numerous property choices and discover the accommodation that suits their preference.

In terms of booking frequency, OTAs demonstrate high engagement levels with 40% of OTA users reported making bookings 1-2 times per year, while 27% booked 3-5 times, and 20% made more than 5 bookings annually.

Direct hotel website: Direct hotel websites represent the second-most visited type of booking platform, with 36% of respondents indicating usage of brand-owned sites such as marriott.com (Marriott International), ihg.com (InterContinental Hotels Group), hilton.com (Hilton Worldwide), accor.com (Accor), and Shangri-la.com (Shangri-La Group)²⁵². This behaviour is largely driven by travellers who prefer direct engagement with trusted international hotel brands, particularly those who value brand consistency and access to member-exclusive perks.

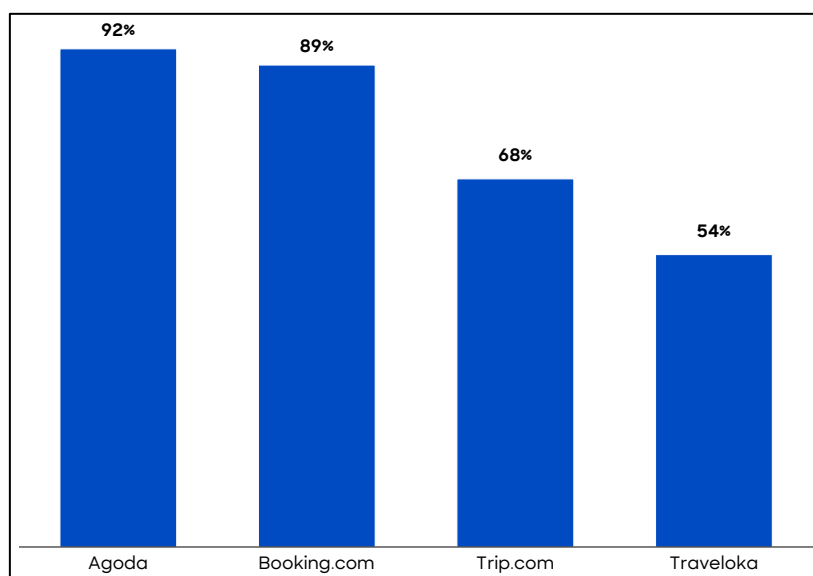
In terms of booking frequency, 41% of respondents reported using direct websites 1-2 times per year, while 24% do so less than once annually.

Metasearch engines: Approximately 23% of respondents have used metasearch engines such as Kayak and Google Hotels during their discovery phase. Travellers visiting these platforms are able to see aggregate property listings across OTAs and direct websites, enabling side-by-side price and review comparisons. However, usage frequency of metasearch remains occasional, with 37% of users engaging 1-2 times per year, and 32% using them less than once annually.

This phase ends when travellers transition from discovery to purchase-related actions. In the context of this study, the focus will be specifically on travellers' actions within OTAs.

²⁵² MyCC's survey.

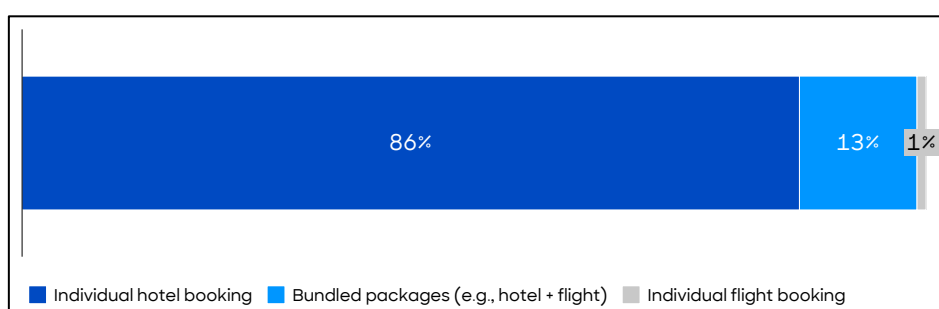
Figure 47: OTA platform usage, June 2025 [%]²⁵³



Source: MyCC's survey

Within the OTA landscape, Agoda ranked first with 92% of respondents have used the platform for accommodation booking, while Booking.com ranks second with 89% of survey respondents indicating prior usage²⁵⁴. Both platforms are widely perceived as the default choice for property bookings. Trip.com has also gained traction with 68% of respondents indicating prior usage. Traveloka shows a moderate level of engagement, with almost half of survey respondents indicating prior usage.

Figure 48: Types of purchases made on OTAs, June 2025 [%]



Source: MyCC's survey

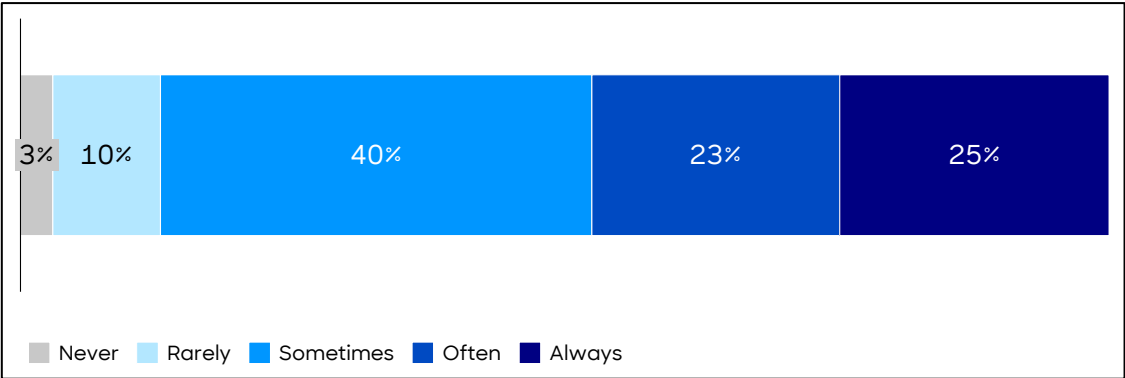
²⁵³ MyCC's survey.

²⁵⁴ MyCC's survey.

Additionally, 86% of OTA users reported using the platforms primarily for standalone accommodation bookings, while only 13% use them to purchase bundled packages such as hotel-plus-flight deals, breakfast-inclusive stays, or added services like airport transfers and local tours. 1% of OTA users use the platform for standalone flight bookings²⁵⁵. This indicates that, despite OTAs positioning themselves as end-to-end travel solution providers, most travellers still prefer to separate accommodation from other trip components, either for greater control, cost transparency, or to take advantage of specialised providers across different booking categories.

5.1.7.2 Consideration

Figure 49: Cross-platform browsing behaviour, June 2025 [%]



Source: MyCC’s survey

During the consideration stage, travellers assess OTA offerings in greater depth, with one key behaviour being cross-checking multiple sites. According to MyCC’s survey, 40% of respondents indicated that they occasionally cross-check, 23% do so frequently, and 25% consistently compare prices and listings before finalising a booking²⁵⁶.

While using OTAs, respondents most frequently evaluate the following key factors²⁵⁷:

²⁵⁵ MyCC’s survey.

²⁵⁶ MyCC’s survey.

²⁵⁷ MyCC’s survey.

- **Competitive pricing and discounts:** Competitive pricing and discount availability emerged as the most influential factor in survey respondents' platform selection during the consideration stage, reinforcing the centrality of value-for-money in travel decision-making. Respondents would consistently prioritise OTA platforms that offered the most attractive price points and promotional deals. Furthermore, based on the study by Tourism Malaysia, 28.3% cited budget considerations and 25.3% of travellers identified promotional incentives as top factors for consideration ²⁵⁸. Promotional campaigns such as seasonal-based promotions, partnership deals (e.g. Visa cardholders), event-driven sales (e.g. Songkran festival) and location-based deals (e.g. Super Destination) on OTAs would further influence travellers to make purchases on these platforms.
- **Seamless booking experience:** A quick and hassle-free booking experience ranks as the second key factor influencing survey respondents' platform preferences, reflecting growing user expectations for efficiency and minimal friction throughout the transaction process. Travellers would increasingly prioritise platforms that enable streamlined navigation and simplified booking steps.
- **Breadth of accommodation options:** Additionally, the availability of a wide range of hotels and accommodations was cited as the third key factor. Travellers increasingly expect diversity in offerings, spanning different price segments, property types (e.g. budget hotels, boutique stays, luxury resorts, vacation rentals), and geographic coverage across both local and international destinations. This breadth allows travellers to align their accommodation choices with varying trip intents whether it be short weekend getaways, family vacations, business travel, or special occasion stays.

In addition, survey respondents further highlighted several factors when evaluating OTA platforms, including user-friendly app or website interface as well as platform reputation and trustworthiness.

²⁵⁸ Tourism Malaysia (2024). Malaysian outbound and domestic travel behaviour. <https://www.tourism.gov.my/files/uploads/Malaysian-Outbound-and-Domestic-Travel-Behavior.pdf>

5.1.7.3 Purchase

During this stage, travellers would reach a final decision-making point and finalise the property booking. Travellers in this stage would go through the check-out process and evaluate transactional flexibilities and post-purchase contingencies.

- **Transactional flexibilities:** Survey respondents have highlighted a key evaluation point of platforms having flexible payment options ²⁵⁹. Travellers expect a seamless and secure checkout experience, with a broad range of payment options. In terms of cashless payments, the most preferred methods are online banking (36%), debit card (32%), digital wallet (27%) and credit card (8%)²⁶⁰. Increasingly, consumers are opting for Buy Now Pay Later (BNPL) schemes that offer flexible repayments for accommodation bookings on OTA platforms²⁶¹. Survey from the Consumer Credit Oversight Board Task Force found a 50% increase in BNPL account holders between 2023 and 2024²⁶².
- **Post-purchase contingencies:** Survey respondents further highlighted the importance of OTA platforms to offer clear and reliable cancellation policies²⁶³. According to data from SiteMinder, a hotel booking platform provider, accommodation providers in Malaysia experienced a cancellation rate of 12.5% in 2024²⁶⁴. Most OTA listings provide a range of cancellation options, including free cancellation, refundable rates, and flexible date modifications, which are increasingly sought after by travellers seeking to mitigate travel-related risks. These flexible terms, however, typically come at a higher price point, reflecting their added value. Travellers who prioritise flexibility are often willing to pay a

²⁵⁹ MyCC's survey.

²⁶⁰ 2C2P (2023). Popular payment methods in Malaysia. <https://2c2p.com/blog/malaysia-payment-methods>

²⁶¹ Research and Markets (2025). Malaysia Buy Now Pay Later Business and Investment Opportunities Databook. <https://www.researchandmarkets.com/reports/5305023/malaysia-buy-now-pay-later-business-and>

²⁶² Consumer Credit Oversight Board Task Force (2024). Buy Now Pay Later (BNPL) industry in Malaysia. <https://ccob.my/industries/>

²⁶³ MyCC's survey.

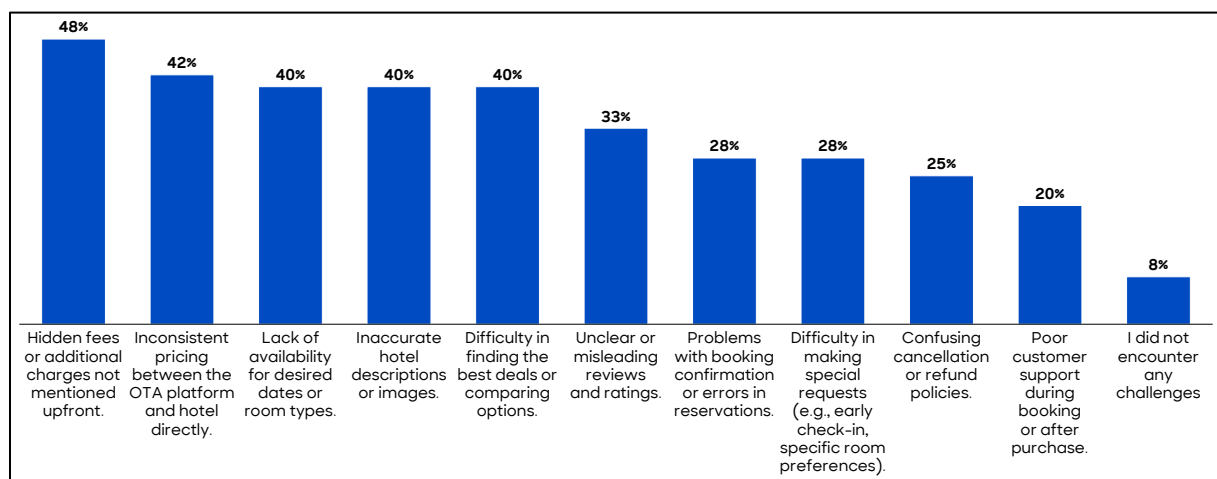
²⁶⁴ SiteMinder (2024). Hotel booking trends. <https://www.siteminder.com/hotel-booking-trends/>

premium to secure peace of mind²⁶⁵. Conversely, listings offering non-refundable or semi-flexible terms are priced lower but require upfront payment, appealing to cost-conscious travellers.

However, survey findings found approximately one out of four travellers still face the challenge of unclear or inconsistent cancellation terms by OTA platforms. This confusion among travellers commonly occurred as accommodation listings would have a various range of cancellation policies, under non-refundable, semi-refundable or full-refundable bookings.

During this phase, travellers are also likely to encounter a range of challenges, including²⁶⁶:

Figure 50: Challenges faced by OTA users, June 2025 [%]



Source: MyCC's survey

- **Inconsistency pricing between the OTA platform and hotel directly:** A key frustration for travellers is the lack of transparency in pricing. 42% of respondents reported encountering discrepancies of price difference between hotel websites and OTA listings.
- **Difficulty in finding the best deals or comparing options:** As cited by 40% of respondents, the inability to efficiently compare deals across listings

²⁶⁵ Input from IDI.

²⁶⁶ MyCC's survey.

remains a pain point. Despite the proliferation of filtering tools, many users might feel overwhelmed by cluttered interfaces or promotional overload that obscures real value.

- **Lack of availability for desired dates or room types:** Limited inventory visibility is an issue for 40% of survey respondents. Often, OTA platforms show full occupancy even when rooms may still be available directly through hotels or other channels, leading to booking inefficiencies and consumer frustration.
- **Difficulty in making special requests:** 28% of respondents express dissatisfaction with how OTA platforms handle special requests such as early check-in, room preferences, or accessibility needs. Many perceive OTAs as intermediaries that lack the coordination or authority to guarantee such requests.

5.1.7.4 During-trip

After completing their booking, travellers transition into the experience phase where expectations around booking accuracy, customer support, and pricing transparency come into full focus. Travellers would then evaluate the OTA's ability to deliver on what was promised during point of purchase.

Nevertheless, various discrepancies and challenges may arise. Below are the key challenges typically faced by survey respondents that arose during their trips:

- **On-site payment discrepancies:** Travellers have reported instances where; despite completing online bookings on OTA platform, they faced additional charges upon arrival. 48% of survey respondents have been charged additional fees that were not mentioned upfront²⁶⁷. Instances of additional charges on travellers in Malaysia that occurred due to hotelier dismissing OTA platform's booking and

²⁶⁷ MyCC's survey.

refusing to honour the reservation until additional payment is made²⁶⁸.

- **Booking discrepancies:** Instances of overbookings or unrecognised reservations have been reported, where travellers arrive to find their confirmed bookings not reflected in the hotel's system leading to stress and inconvenience. 28% of respondents have reported to have had problems with booking confirmations or errors in reservation when checking into the accommodation through OTA booking²⁶⁹. Some instances during overbooked situation, travellers would be transferred to another hotel nearby as arranged by the hotelier²⁷⁰.
- **Inaccurate hotel descriptions and images:** Two in five survey respondents felt that the actual property differed from what was shown online. This includes misleading photos, overstated amenities, or inaccurate location descriptions. Such discrepancies diminish the travel experience and lead consumers to question the credibility of listings on the OTA platform.
- **Inadequate customer support:** When issue arises, effective customer service becomes essential for travellers. Yet, one out of five survey respondents said they received poor support during their trip. This includes delayed responses, lack of resolution, or being passed between the OTA and property with no accountability. Travellers are often left to manage problems on their own, further compounding frustration during what should be a stress-free experience.

5.1.7.5 Retention and engagement

Post-booking, many users continue to interact with OTA platforms through features designed to encourage ongoing engagement. Rather than exiting the platform post-transaction, users are drawn back through behavioural reinforcement mechanisms that build routine usage and long-term platform loyalty. These strategies include but not limited to:

²⁶⁸ SAYS (2022). Hotel makes guests pay extra upon arrival despite completing their bookings online. <https://says.com/my/news/hotel-makes-guests-pay-extra-upon-arrival-despite-completing-their-bookings-online>

²⁶⁹ MyCC's survey.

²⁷⁰ Input from IDI.

- **Loyalty programmes:** Travellers may be enticed with non-monetary incentives and member-only benefits through tiered membership programmes, e.g., Agoda Very Important Person (VIP)²⁷¹, Booking.com Genius Programme²⁷², and Trip.com tiered loyalty program²⁷³.

Such benefits are particularly important in the Malaysian market, where research shows that discounts are a key factor for travellers when planning their trips²⁷⁴.

- **In-app push notifications and email:** Travellers would occasionally receive in-app push notifications and email marketing materials that engage with travellers for re-booking. Commonly, users would receive these notifications from past activity behaviours such as abandoned booking alerts, price drop notifications and seasonal-based promotion.

5.1.7.6 Implication to competition

Travellers' key considerations, such as price and discounts, flexible payment options, and cancellation policies, are increasingly influenced by the practices of large incumbent OTA platforms. Frequent discounting and price-based promotions are commonly used by these platforms to drive traffic and stimulate bookings, which in turn may shape travellers' expectations over time. This dynamic might create pressure across OTA players, as well-capitalised OTAs are better positioned to sustain high-frequency promotions²⁷⁵, while smaller players may struggle to keep pace without eroding margins.

Growing influence of OTAs may also see impact on property's operations. The travel booking journey is increasingly seen dominated by OTA platforms, which guide users from the discovery phase all the way to the point of purchase. This strong shift in consumer preference away from

²⁷¹ Agoda (2025). What is Agoda VIP? <https://partnerhub.agoda.com/what-is-agoda-vip/>

²⁷² Booking.com (2025). Genius. <https://www.booking.com/genius.html>

²⁷³ Trip.com (2025). Trip.com membership tiers & loyalty program perks 2025. <https://www.trip.com/ask/questions/trip.com-membership.html>

²⁷⁴ Tourism Malaysia (2024). Malaysian outbound and domestic travel behaviour, page 14. <https://www.tourism.gov.my/files/uploads/Malaysian-Outbound-and-Domestic-Travel-Behavior.pdf>

²⁷⁵ Input from IDI.

direct hotel websites underscores the platforms' rising dominance. As visibility and volume become increasingly dependent on OTAs, properties would be compelled to engage more deeply with platform requirements, ranging from participation in promotional campaigns to adjustments in pricing strategies and inventory allocation. Consequently, prominent OTAs might have the position to exert greater influence over properties' operations and commercial decision-making processes in the long run.

Additionally, growing preference for OTAs will see impact on consumer behaviour when evaluating different options. Platform-specific loyalty programs such as Booking Genius and Agoda VIP are seen to increase user stickiness by offering valuable incentives that encourage users to stay loyal to specific platforms, providing exclusive benefits and privileges. As travellers become more familiar with the rewards associated with these loyalty schemes, they are more likely to continue booking with the same OTA, which increases the cost of switching platforms. This results in reduced multi-homing, with consumers preferring to book with the platforms where they receive personalised treatment and rewards, leading to stronger user retention.

Post-trip engagement further consolidates user stickiness. OTAs use data-driven approaches, such as personalised incentives and targeted nudges, to re-engage consumers after their trips. These strategies aim to keep users within the platform's ecosystem by offering promotions that encourage repeat bookings.

5.1.8 Innovative trends

5.1.8.1 Integration of Generative Artificial Intelligence (GenAI) in OTA platforms

GenAI is being strategically integrated into OTA platforms to redefine the user journey, particularly in the discovery and planning phases of the travel journey. Traditionally, trip planning is a tedious process requiring significant research efforts across multiple sources. Travellers visit up to 10 different websites while researching and booking a trip, often comprising flight arrangements, accommodations, itineraries, and local experiences²⁷⁶. OTA platforms enabled with GenAI features are able to address this fragmentation by consolidating the planning process into a seamless and conversational interface.

GenAI aims to collapse this journey by delivering intuitive, context-aware assistance that mimics human-like interactions, significantly enhancing speed, relevance, and convenience for users. Global OTA platforms such as Expedia, Booking.com and Trip.com are seen leading the GenAI integration. Selected examples of GenAI on OTA platforms include:

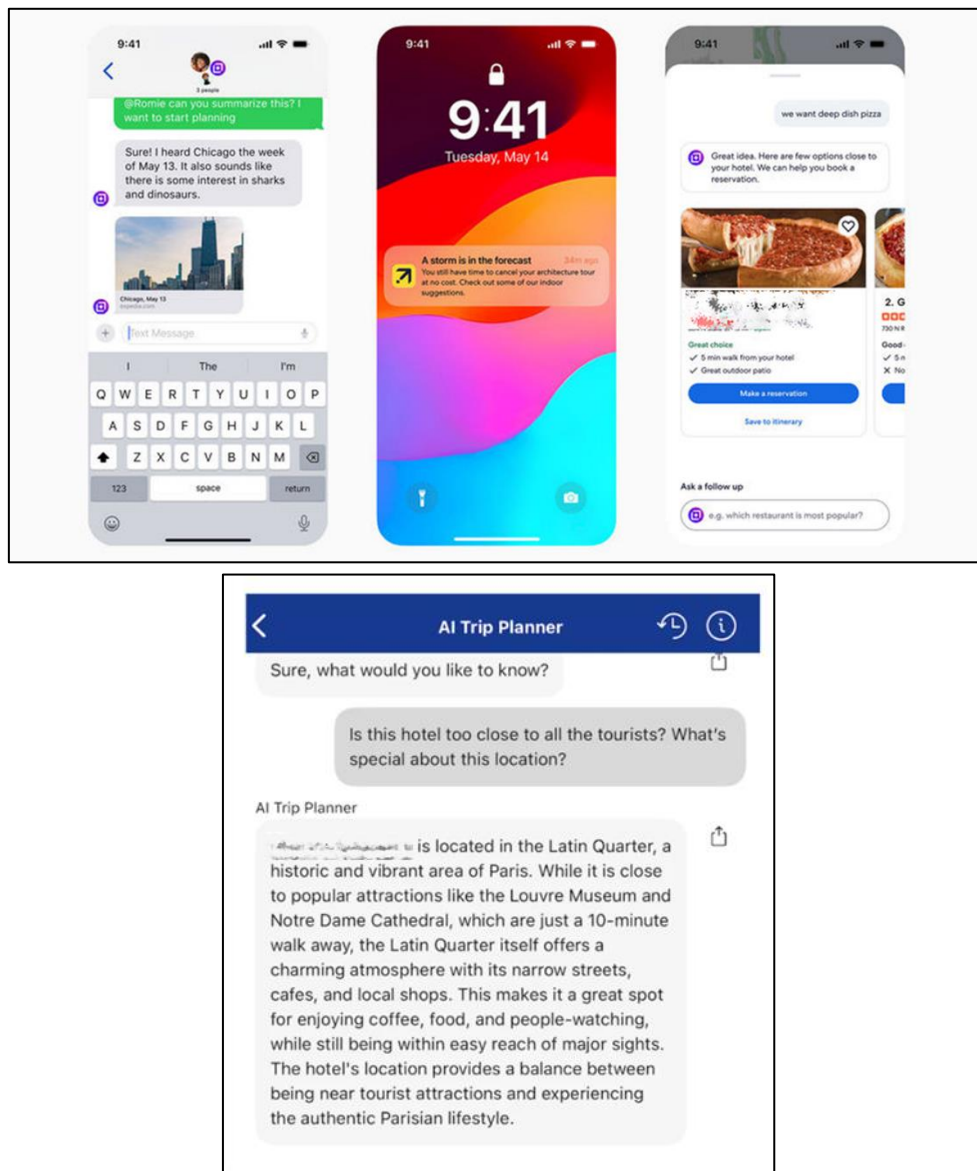
- **AI-powered trip planning assistants:** Conversational travel planners that act as digital concierges, allowing users to plan entire trips via chat-based interfaces. These assistants understand natural language inputs and return dynamic travel suggestions based on user intent, preferences, and contextual data. In 2024, Expedia launched “Romie”, an AI assistant that can be integrated within group chats to listen to vacation plans and provide suggestions on destination option, itinerary planning, and transportation arrangements²⁷⁷. Similarly, Booking.com launched its AI Trip Planner, built using OpenAI’s large language models (LLMs), to deliver conversational trip suggestions based on user input, preferences,

²⁷⁶ Accenture (2024). The travel industry’s new trip, page 8. <https://www.accenture.com/content/dam/accenture/final/accenture-com/document-3/The-Travel-Industrys-New-Trip-Final.pdf>

²⁷⁷ Medium (2024). Traveling just got a lot smarter with Romie. <https://medium.com/expedia-group-tech/traveling-just-got-a-whole-lot-smarter-with-romie-dfb9b21c07c5>

and travel history²⁷⁸. In India, MakeMyTrip debuted “Myra”, an AI Concierge that enables users to plan entire trips via voice and text inputs, handles pricing and availability queries and provide personalised accommodation recommendations²⁷⁹.

Figure 51: Illustration of GenAI-powered trip planning assistant



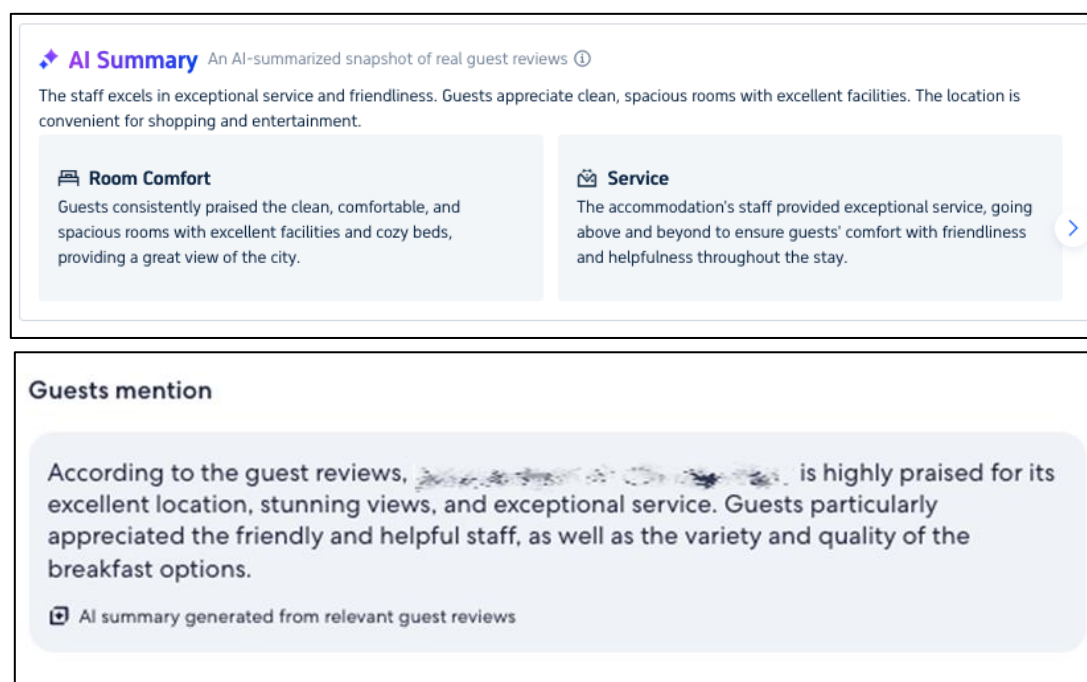
Source: Expedia, Booking.com

²⁷⁸ CNET (2025). How to use the AI trip planner on Booking.com. <https://www.cnet.com/tech/services-and-software/how-to-use-the-ai-trip-planner-on-booking-com/>

²⁷⁹ Skift (2024). How MakeMyTrip plans to ramp up its use of Gen AI. <https://skift.com/2024/10/23/how-makemytrip-plans-to-ramp-up-its-use-of-gen-ai/>

- **AI-summarised reviews and hotel insights:** GenAI condenses thousands of reviews into digestible summaries, highlighting frequently mentioned sentiments, pros/cons, and experience-based keywords (e.g., “great location,” “poor Wi-Fi”) to assist decision-making. Instances of Trip.com, and Expedia has integrated AI-generated review summaries into its platform, offering travellers quick insights into properties.

Figure 52: Illustration of AI-summarised reviews



Source: Trip.com, Expedia

- **In-trip real-time assistance:** Several OTAs are extending GenAI functionality post-booking, providing real-time travel updates, local activity suggestions, or alternative routes in case of disruptions. In 2024, Expedia integrated “Dynamic Service” within user’s itinerary planning that would suggest and prompt users for alternate planning in the event of changes in weather conditions, route changes or activity disruptions²⁸⁰. Trip.com has further integrated real-time updates on flight status and accommodation check-in alerts based on the user's itinerary²⁸¹.

²⁸⁰ Medium (2024). Traveling just got a lot smarter with Romie. <https://medium.com/expedia-group-tech/traveling-just-got-a-whole-lot-smarter-with-romie-dfb9b21c07c5>

²⁸¹ Trip.com (2024). Plan less, travel more: TripGenie unveils new features for effortless travel planning. <https://www.trip.com/newsroom/tripgenie-new-features-2/>

5.1.8.2 Integrated social-sharing features within OTA ecosystem

User-generated content has become a critical influence driver in the travel decision-making process, offering peer validation, social proof, and experiential context that traditional listings often lack. Leading OTA platforms, particularly in China, have embedded social-sharing features such as travel blogs, community posts, short-form videos and live-streaming directly into their core interfaces. Key examples include:

Integrated content feeds: Trip Moments (Trip.com) and Community Forum (Fliggy by Alibaba) are integrated content feeds that embed user-generated content directly into the travel discovery and booking journey.

Trip.com’s “Trip Moments” serves as an in-app social feed where users share travel photos, itineraries, and short-form narratives, organised by destination tags and hashtags²⁸². These posts are not purely inspirational as they are transactional, often embedded with direct booking links to hotels, attractions, or experiences. Similarly, Fliggy’s “Community Forum” enables travellers to create and explore image and video-based travel posts, functioning as a peer-driven review environment. Many of these posts are tied to bookable listings, allowing users to move seamlessly from browsing content to completing a transaction. In both cases, the platforms leverage user narratives as a conversion mechanism, with content engagement positively correlated with higher session times and platform stickiness.

²⁸² Trip.com (2024). Great things are waiting at the Trip Moments community. <https://www.trip.com/blog/trip-moments-community-into/>

Figure 53: Integrated content feeds within OTA's platforms



Source: Trip.com and Fliggy

Integrated livestreaming: In addition to static content, Fliggy and Trip.com integrated livestreaming as a key channel for travel deal discovery and conversion. The platform curates a network of content creators and influencers who host real-time sessions promoting travel products, flash sales, and destination packages. These livestreams are embedded within the core app experience, allowing users to interact with presenters, ask questions, and make bookings directly within the stream. Trip.com's live-streaming channel further incorporates real-time Q&A sessions, interactive polls and games to make the streams more engaging²⁸³.

²⁸³ PhocusWire (2024). How online travel companies in Asia use livestreaming to drive engagement and bookings. <https://www.phocuswire.com/livestreaming-travel>

Figure 54: Integrated livestreaming within OTA's platforms



Source: Trip.com and Fliggy

5.1.8.3 Implications to competition

- **High entry barriers for new entrants**

The integration of GenAI and social-sharing functionalities into OTA platforms is reshaping the competitive landscape, particularly by raising structural barriers to entry. Incumbent OTAs such as Trip.com, Booking.com, and China's Fliggy have invested significantly in building proprietary AI infrastructure, developing conversational assistants, and embedding content-driven travel discovery features. These innovations rely heavily on large-scale user data, algorithmic capabilities, and ecosystem maturity, which are advantages that are difficult for new entrants or smaller platforms to replicate without equivalent resources.

From a GenAI standpoint, deploying features such as real-time pricing intelligence, itinerary automation, and in-trip dynamic assistance requires deep integration of cloud infrastructure, machine learning talent, and historical travel data. These represent substantial capital and technical thresholds, effectively limiting the ability of new players to offer competitive alternatives. Moreover, as incumbents continue to refine GenAI applications, they can unlock deeper personalisation and engagement loops that further widen the performance gap between market leaders and aspiring entrants.

Similarly, the embedding of social-sharing features including user-generated content feeds and livestream travel promotions introduces an additional layer of infrastructure complexity. To compete, new entrants must not only offer competitive pricing and inventory but also recreate content ecosystems that drive engagement and peer-based trust. This includes developing community moderation systems, creator monetisation models, and algorithmic content recommendation engines, investments that reinforce the incumbents' lead while raising the operational bar for newcomers.

- **Ecosystem lock-in**

The convergence of content, commerce, and AI within OTA platforms also contributes to increasing user lock-in and market consolidation. Platforms such as Trip.com and Fliggy now offer end-to-end travel planning journeys, from inspiration and itinerary curation to booking and post-purchase support, within a single digital environment. By embedding social content and GenAI-powered assistants into the early stages of the travel funnel, these platforms reduce user reliance on external search, guidebooks, or competing apps, compressing the decision-making process into a closed-loop ecosystem.

This funnel compression not only improves user convenience but also reduces platform-switching behaviour. Users engaging with personalised content feeds, AI-generated suggestions, and community-sourced recommendations are less likely to restart their planning journey elsewhere, especially when bookings can be made in-app with saved payment details and loyalty points. Over-time, the seamless experience may foster a sense of ecosystem lock-in that travellers increasingly rely on a single app ecosystem for discovery until the booking stage.

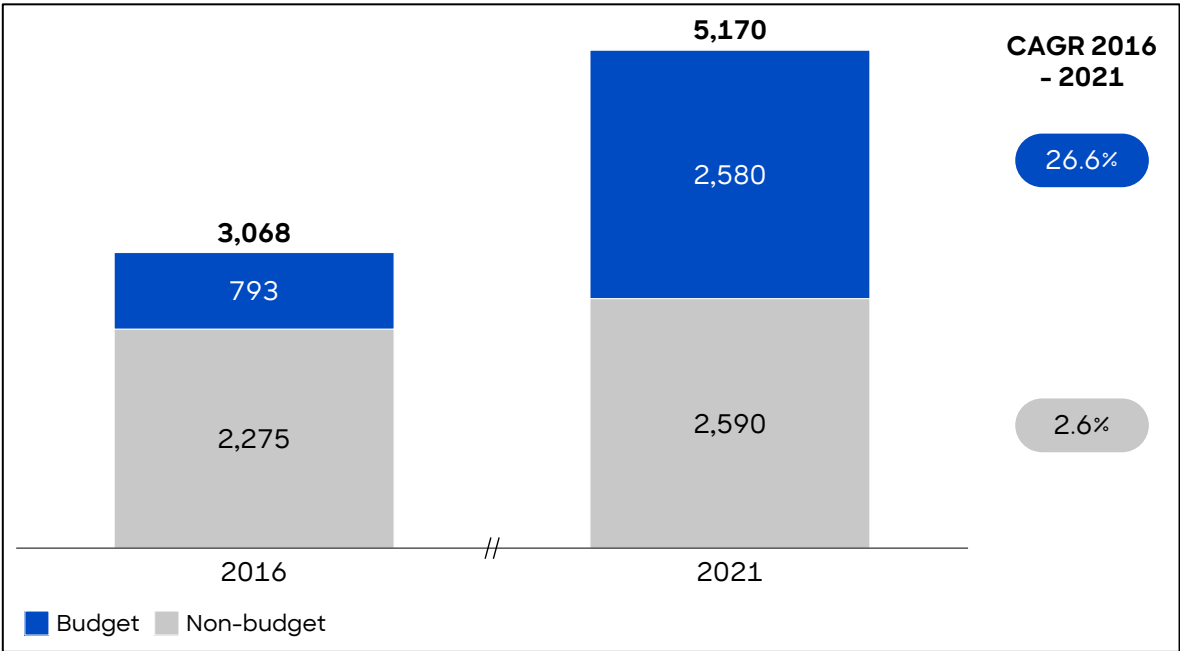
5.1.9 Key players and level of competition

5.1.9.1 Key players along the supply chain

(a) Key hotel players

As of 2023, there are a total of 5,204²⁸⁴ hotels across Malaysia. The budget hotel segment, in particular, has experienced significant growth, increasing from 793 establishments in 2016 (25.8% of total hotels) to 2,590 in 2021 (50.1% of total hotels)²⁸⁵.

Figure 55: Malaysia’s hotel segmentation, 2016, 2021 [# of hotels]



Source: DOSM

Global hotel operators also play a critical role in shaping Malaysia’s hospitality sector. These operators leverage their extensive portfolio and loyalty programs to secure market share across various segments. Key global players and their number of properties in Malaysia include:

- Marriott International: 55 properties

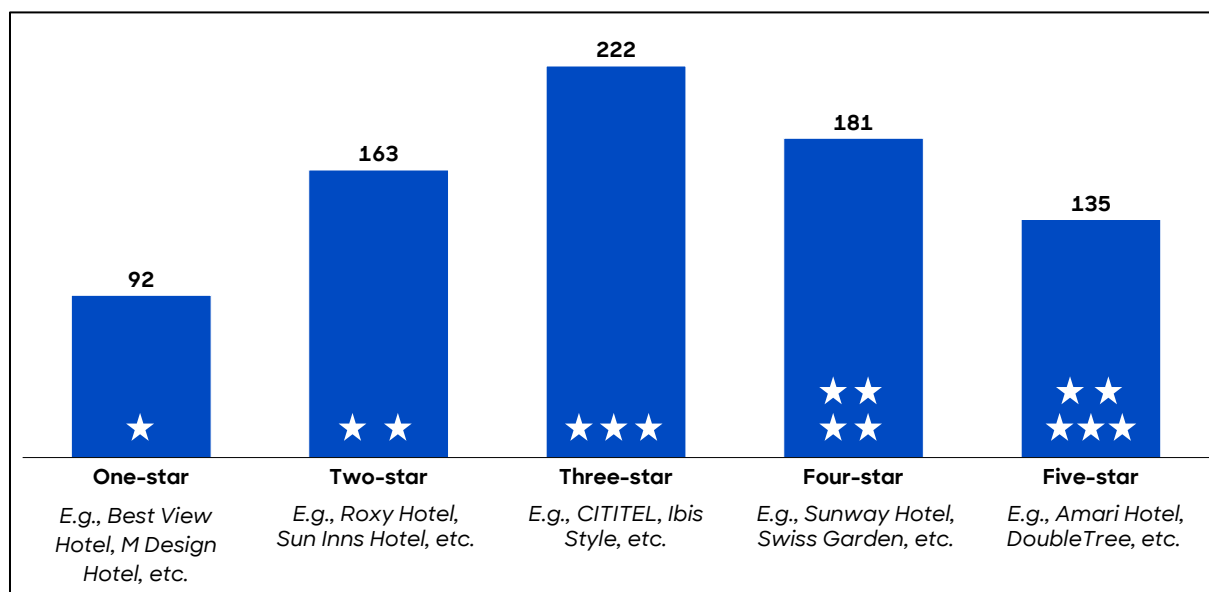
²⁸⁴ DOSM (2024). Tourism satellite account 2023. https://library.dosm.gov.my/cgi-bin/koha/opac-detail.pl?biblionumber=110108&shelfbrowse_itemnumber=176726
²⁸⁵ MAH (2021). Industry reports. <https://www.hotels.org.my/industry-reports/>

- Accor: 24 properties
- Hilton Worldwide: 24 properties
- InterContinental Hotels Group (IHG) Hotels & Resorts: 12 properties

Additionally, data from MOTAC highlight a wide range of officially rated tourist accommodation establishments. Participation in MOTAC’s rating system is voluntary, and it is not compulsory for hotels or accommodation providers to be rated.

In total, 792 ²⁸⁶ are officially classified by MOTAC as “Rated Tourist Accommodation Premises” which includes a variety of recognised lodging options that meet specific standards and criteria set by the ministry:

Figure 56: MOTAC-rated tourist accommodation premises, December 2023
[# of hotels]



Source: MOTAC

²⁸⁶ MOTAC (2025). Rated tourist accommodation premises.
<https://www.motac.gov.my/en/check/hotel?s=&n=&v=0>

(b) Key wholesale players

The hotel wholesalers' market in Malaysia features several key global players, with DidaTravel standing out as one of the dominant leaders. DidaTravel offers an inventory of approximately ~700,000 properties across more than 180 countries and boasts a network of over ~30,000 global distribution partners. The company has a strong focus on the Asia Pacific (APAC) region, particularly catering to the Chinese outbound travel market.

Hotelbeds, another major player, operates a distribution network that spans over ~250,000 properties in more than 170 countries and has established partnerships with around ~60,000 global distributors. Similarly, MG BedBanks features a distribution network comprising approximately ~350,000 properties, supported by partnerships with around 8,000 global distributors.

The above players interact with both hotels and OTAs.

(c) Key metasearch players

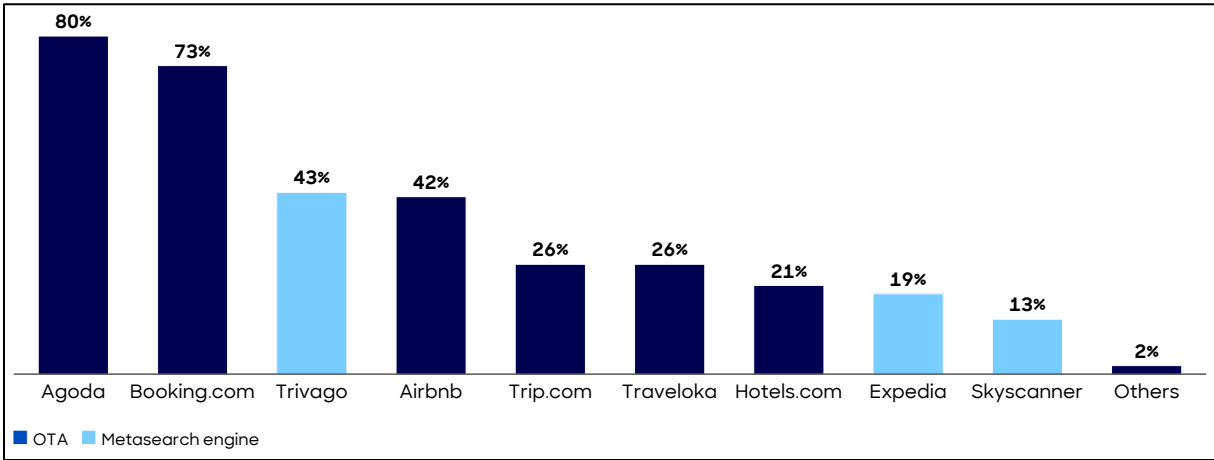
Trivago leads the Malaysian metasearch market, with 43% of travellers reporting the use of its services. This is followed by Expedia who holds 19% of the market and Skyscanner at 13%²⁸⁷.

Although not typically regarded in the same category as metasearch platforms like Trivago, Expedia, and Skyscanner, Google Hotels is believed to hold a significant share of the metasearch market, given its dominance in search engines, where it commands a 95.3% market share in Malaysia²⁸⁸.

²⁸⁷ Rakuten Insight (via Statista) (2023). Leading purposes for using online travel agencies in Malaysia as of June 2023 (based on the survey question of “Most popular online travel agencies among consumers in Malaysia as of June 2023”). <https://www.statista.com/statistics/1200928/malaysia-reasons-for-using-online-travel-agencies/>

²⁸⁸ StatCounter (2025). Search engine market share Malaysia. <https://gs.statcounter.com/search-engine-market-share/all/malaysia>

Figure 57: Leading OTAs and metasearch engines used in Malaysia by share of respondents, 2023 [%]



Source: Rakuten Insight

(d) Key OTA players

Figure 23: OTAs ranking by number of hotel bookings in Malaysia, 2024 [ranking]

Rankings	Top Online Channels in Malaysia (2024)
1	
2	
3	
4	
5	
6	 
7	
8	
9	 
10	

Source: STAAH blog

As of 2024, the leading OTAs in Malaysia by hotel reservation volume include Agoda, Booking.com, Trip.com, Tiket, and Traveloka. Expedia and

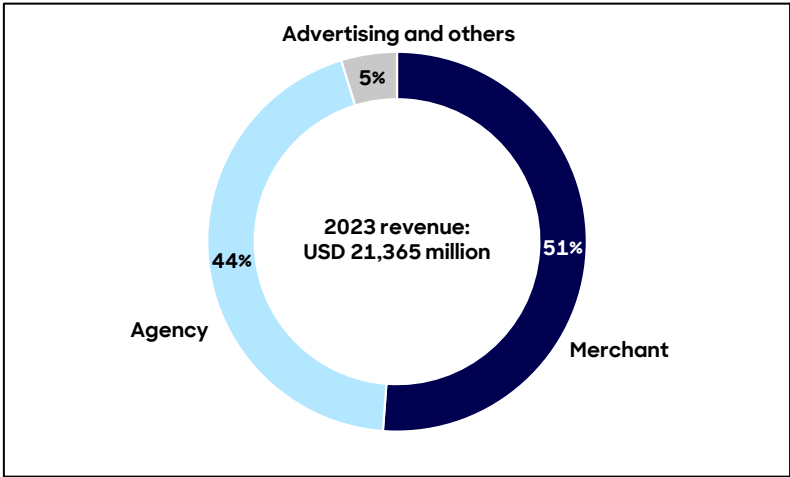
Hotelbeds continue to play a significant role in the market, while Klook, a newer entrant historically focused on tours and in-destination experiences, has expanded into the accommodation segment and made its first appearance in Malaysia’s top 10 OTAs²⁸⁹.

5.1.9.2 Key players in the OTA sub-sector

(a) Booking Holdings

One of the largest global players in the travel and hospitality sector, operates across multiple segments, including OTAs, accommodation metasearch, and flight metasearch. Ranked 190 on the 2024 Forbes Global 500²⁹⁰, the company reported an annual revenue of USD 21.4 billion in Financial Year End (FYE) 2023²⁹¹. Majority of its revenue (95%) is derived from “merchant” and “agency”, which includes travel-related transactions (facilitated bookings, with or without payment processing), credit card processing rebates, customer processing fees, and travel-related insurance revenue.

Figure 24: Booking Holdings revenue split



Source: Booking

²⁸⁹ STAAH Blog (2025). STAAH unveils the top 10 booking channels for Southeast Asian region. <https://blog.staah.com/featured/staah-unveils-the-top-10-booking-channels-for-southeast-asian-region>

²⁹⁰ Fortune (2024). Fortune Global 500. <https://fortune.com/ranking/global500/>

²⁹¹ Booking Holdings (2024). Annual reports. <https://ir.bookingholdings.com/financials/annual-reports/default.aspx>

Functioning as a financial holding company, Booking Holdings oversees a range of brands that operate independently, including Booking.com, Agoda, Priceline, Kayak, OpenTable, and Rentalcars.com. This structure allows its subsidiaries to maintain agility while leveraging the parent company’s resources and guidance.

Figure 25: Subsidiaries under Booking Holdings

Online travel agencies	Accommodation-focused metasearch engines	Flight-focused metasearch engines	Others
Booking.com agoda priceline® ROCKETMILES	KAYAK Hotels Combined	momondo Cheapflights✈️	Car rental (B2C) Rentalcars.com Restaurant booking (B2C) • OpenTable® Software provider (B2B) FAREHARBOR

Source: MyCC analysis

Its OTA operations in the Malaysia market are led by Agoda and Booking.com:

I. **Agoda**

Founded in 2005 and entered the Malaysian market in 2007, Agoda lists a total of 97,342 vacation rentals and hotels in Malaysia as of 5th June 2025.²⁹² The platform is known for its competitive pricing, daily special deals, and promotional offers. Additionally, it has a strong focus on the Asian market.

Agoda’s service coverage extends beyond accommodations to include flights, bundled hotel and flight packages, and other travel-related bookings (e.g., tours, attractions tickets, airport transfer).

²⁹² Agoda (2025). Find Hotels in Malaysia. https://www.agoda.com/country/malaysia.html?site_id=1915002&tag=850c0e60-6e40-9cb5-59a6-4d625b8c118c&mssclkid=5b1bbe09a6841c57e7b6d648c74183e6&ds=GYuP3AKv6f%2FR3BpH

Table 22: Promotions and campaigns offered by Agoda

Campaign	Description	Target
Agoda VIP Program	A tiered loyalty program offering escalating benefits: • Silver: Achieved after 2 bookings within two years; access to member-only discounts and points accumulation. • Gold & Platinum: Higher tiers provide enhanced deals, faster point accumulation, premium support, VIP deals, and potential free upgrades.	Individual Travelers
PointsMAX	Allows users to earn points with preferred loyalty programs (e.g., airline miles) for each booking. Users select their loyalty program and earn points accordingly	Individual Travelers & Business Traveler
UOB PRVI Miles Elite Card Promotion	UOB Malaysia offers bonus UNIRM (UOB Rewards Points) for accommodations via Agoda.	Business Traveler
Mastercard Exclusive Discount	Up to 12% off hotel bookings worldwide for UOB Mastercard credit and debit cardholders when booking through Agoda's dedicated offer page.	Individual Travelers & Business Traveler
Visa Card Promotion	Offers discounts on hotel bookings for Visa cardholders. Applicable to hotels with "Promotion Eligible" banner and specific payment types.	Individual Travelers & Business Traveler
AgodaCash	Rewards program where users earn AgodaCash on bookings, which can be used as discounts on future reservations.	Individual Travelers
Daily Special Deals	Regularly updated deals offering significant discounts on selected accommodations.	Individual Travelers & Business Traveler

Source: Agoda

In November 2024, the platform recorded approximately ~5.95 million visitors, making it the most visited OTA website in Malaysia²⁹³.

II. **Booking.com**

Launched in 1996 and entered the Malaysian market in 2008, Booking.com currently lists a total of 44,373 properties in the country as of 5th June 2025 ²⁹⁴ . Booking.com stands out for its strong global reach, with a particular focus on the European market. A key feature of the platform is its extensive database of over 50 million (verified stay) guest reviews, which helps travellers make informed booking decisions. To ensure the reliability of this feature, its guest-review system uses advanced AI-powered filtering mechanisms to detect and prevent fraudulent or biased submissions²⁹⁵.

Its service coverage spans across accommodations, flights, car rentals, and bundled travel packages, offering travellers multiple travel solutions.

Table 23: Promotions and campaigns offered by Booking.com

Campaign	Description	Target
Genius Loyalty Program	A free, tiered loyalty program offering escalating benefits: • Level 1: Achieved upon account creation; access to 10% discounts on select stays and rental cars • Level 2: After 5 bookings within two years; 15% discounts, complimentary breakfast, and room upgrades at select properties • Level 3: After 15 bookings within two years; 20% discounts, priority support, and additional perks	Individual Travelers & Business Traveler

²⁹³ SEMRUSH (2025). Top websites. <https://www.semrush.com/website/top/malaysia/accommodation-and-hotels/>
²⁹⁴ Booking.com (2025). Hotels in Malaysia. <https://www.booking.com>
²⁹⁵ Written input from key players.

Campaign	Description	Target
Mastercard Promotion	Offers up to 16% cashback for bookings made with Mastercard credit, debit, or prepaid cards.	Individual Travelers & Business Traveler
Last Escape Deals	Provides up to 15% discounts on last-minute hotel bookings across various destinations.	Individual Travelers & Business Traveler

Source: Booking.com

In November 2024, the platform attracted around ~3.95 million Malaysian visitors²⁹⁶.

(b) Trip.com

Founded in 1999 as a subsidiary of the Chinese travel company Ctrip, Trip.com has a total of 11,629 Malaysian properties listed on its platform as of 5th June 2025²⁹⁷. Its primary customer base remains in Mainland China but has in recent years expanded across Southeast Asia, including Malaysia. In June 2024, Trip.com signed a Memorandum of Cooperation (MOC) with Tourism Malaysia to further boost Malaysia’s tourism sector. The three-year agreement aims to leverage Trip.com Group’s global resources to attract more Chinese and international visitors to Malaysia²⁹⁸. Under this MOC, both parties will extend their collaboration beyond China to the broader Asia Pacific region. This includes joint marketing efforts for key products, particularly hotels and attractions. Specific regions within Malaysia, such as Johor and Sarawak, will also be highlighted to travellers²⁹⁹.

²⁹⁶ SEMRUSH (2025). Top websites. <https://www.semrush.com/website/top/malaysia/accommodation-and-hotels/>

²⁹⁷ Trip.com. (2025). Listings in Malaysia. <https://my.trip.com/>

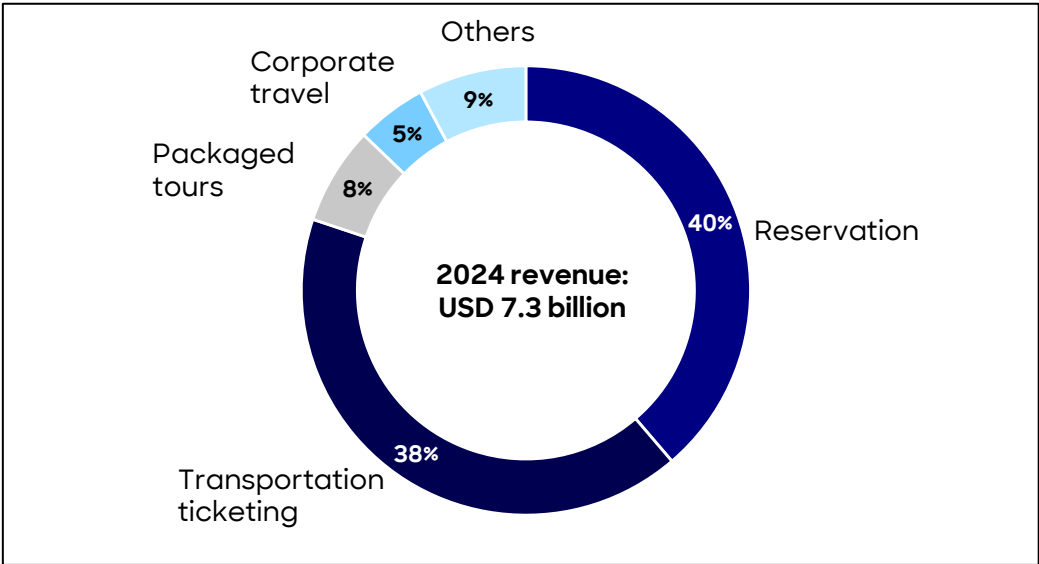
²⁹⁸ TTRW (2024). Trip.com and Tourism Malaysia sign MoC. <https://www.ttrweekly.com/site/2024/06/trip-com-and-tourism-malaysia-sign-moc/>

²⁹⁹ Trip.com (2024). Trip.com Group signs memorandum of collaboration with Tourism Malaysia. <https://www.trip.com/newsroom/trip-com-group-signs-memorandum-of-collaboration-with-tourism-malaysia/>

Trip.com is one of the few international OTAs that holds a local TOBTAB license under MOTAC ³⁰⁰. It offers a wide range of services, including accommodations, flights, train tickers, car rental, airport transfer, and packaged tours.

In 2024, the company reported an annual revenue of USD 7.3 billion³⁰¹. Majority of its revenue was derived from commission-based services, including accommodation reservations (40%), transportation ticketing (38%), packaged tours (8%) and corporate travel (5%). The remaining 9% came from other products and services, which include ancillary offerings such as advertising income and financial services.

Figure 27: Trip.com revenue split



Source: Trip.com

³⁰⁰ As of Dec 2024, six other entities are regulated within the industry: Malaysia Airlines Holidays Sdn Bhd, AirAsia.Com Travel Sdn Bhd, Global Airlines Holiday Sdn Bhd (AirPaz.com), Traveloka Sdn Bhd, BEX Travel Malaysia Sdn Bhd (Expedia.com), and Klook Travel Technology Sdn Bhd ; License holder must adhere to various company (e.g., must specifically use “to carry business in Tour Operating Business and / or Travel Agency Business” as the business activity description on e-SSMbusiness), shareholder, director and capital requirements.

³⁰¹ Trip.com Group (2025). Annual report 2024. https://investors.trip.com/system/files-encrypted/nasdaq_kms/assets/2025/04/11/9-45-11/TRIP%20TCOM_20F_04112025%20%281%29.pdf

Table 24: Promotions and campaigns offered by Trip.com

Campaign	Description	Target
Loyalty program	A tiered membership program offering escalating benefits: • Silver: Basic rewards. • Gold: Earn 10% more Trip Coins, one-time free airport VIP lounge access. • Platinum: Earn 30% more Trip Coins, two-time free airport VIP lounge access, 1GB/3-day global eSIM data package. • Diamond: Earn 40% more Trip Coins, four-time free airport VIP lounge access, 3GB/5-day global eSIM data package, two-time free airport transfer model upgrade. • Diamond+: Earn 50% more Trip Coins, eight-time free airport VIP lounge access, additional perks.	Individual Travelers & Business Traveler
Refer a friend program	Earn up to RM200 in Trip Coins when friends register via our link. New users receive RM20 worth of exclusive promo codes for hotels and flights.	Individual Travelers & Business Traveler

Source: Trip.com

In November 2024, the platform attracted around ~1.5 million Malaysian visitors³⁰².

(c) Traveloka

Established in 2012 in Indonesia, Traveloka entered the Malaysian market in 2015 as part of its expansion plan. Malaysia, along with other Southeast Asia countries was targeted due to its proximity as a neighbouring

³⁰² SEMRUSH (2025). Top websites. <https://www.semrush.com/website/top/malaysia/accommodation-and-hotels/>

market³⁰³. As one of the few OTAs with a local TOBTAB license from the MOTAC, Traveloka emphasises a hyper-localisation strategy. Compared to other OTAs, Traveloka does not list any STRAs in Malaysia due to the lack of regulation in the sector.

The platform offers a wide range of services beyond accommodation, including travel insurance, tickets for flights, local attractions, and unique local experiences such as classes, art workshops, and activities.

Table 25: Promotions and campaigns offered by Traveloka

Campaign	Description	Target
Traveloka Priority Loyalty Program	A tiered loyalty program offering escalating benefits: • Priority: Access to special price offers, shorter refund times, and extra services.	Individual Travelers & Business Traveler
Traveloka Points	Earn points through various activities: • Completing bookings for flights, hotels, car rentals, airport transfer, bus & travel, and travel activities. • Utilizing cashback coupons, bonuses, partnership, and conversions from external loyalty programs. • Participating in games, missions, and referral programs. Points can be redeemed for discounts on future bookings.	Individual Travelers & Business Traveler

Source: Traveloka

³⁰³ Digital News Asia (2016). Indonesia's Traveloka begins South-east Asian voyage. <https://www.digitalnewsasia.com/startups/indonesia%E2%80%99s-traveloka-begins-south-east-asian-voyage>

In November 2024, the platform recorded approximately ~194,000 Malaysian visitors³⁰⁴.

(d) Airbnb

Established in 2008 and entered the Malaysian market in 2012, Airbnb has provided alternative booking options for travellers. In Malaysia, the platform has a total of 93,751 properties listed as of September 2024³⁰⁵. The platform allows individuals to rent out a range of properties, from private homes and apartments to boutique accommodations, thereby creating a new category within the travel market and providing travellers with a wider range of lodging options. This new business model in the OTA space has raised many regulatory discussions (including in Malaysia), specifically regarding zoning issues, tax compliance, and potential disruptions to residential communities³⁰⁶.

In addition to accommodations, Airbnb provides a curated selection of unique experiences. These include guided tours, cultural workshops, and adventure activities hosted by locals, allowing travellers to experience Malaysia’s culture and lifestyle.

Table 26: Promotions and campaigns offered by Airbnb

Campaign	Description	Target
Referral Program	Existing users can refer friends to Airbnb. When a referred friend completes a booking, both the referrer and the new user receive travel credits applicable to future stays.	Individual Travelers & Business Traveler

Source: Airbnb

³⁰⁴ SEMRUSH (2025). Top websites. <https://www.semrush.com/website/top/malaysia/accommodation-and-hotels/>
³⁰⁵ Airbtics (2024). Ultimate guide to start Airbnb in Malaysia. Rules, startup cost, profitability and statistics. <https://airbtics.com/starting-an-airbnb-malaysia/>
³⁰⁶ Regulatory issues to be detailed in the draft final report.

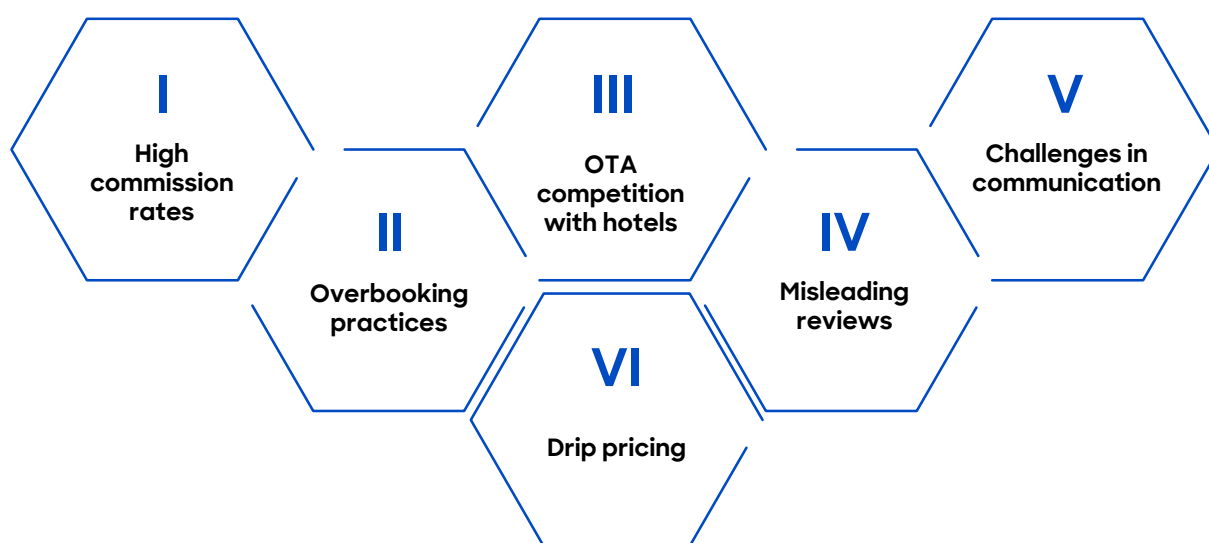
In 2023, Airbnb reported a revenue of USD 9.9 billion, reflecting an 18% YoY growth. Additionally, as of November 2024, the platform garnered around ~227,679 visitors³⁰⁷.

³⁰⁷ SEMRUSH (2025). Top websites.
<https://www.semrush.com/website/top/malaysia/accommodation-and-hotels/>

5.1.10 Key market-related issues

- (a) **Operational challenges from OTA practices:** Properties face multiple operational challenges in accommodation listing and operations that arise from OTA policies, market practices, and platform processes. These include:

Figure 58: Summary of key market-related issues



Source: MyCC analysis

- I. **High commission rates:** OTAs typically charge non-negotiable commission rates, which can increase without prior consultation with properties, putting a strain on their profitability. Properties with fewer bookings may face higher commission rates, while high-performing properties may be able to negotiate lower rates. However, OTAs do not clearly define the sales performance thresholds that properties must meet to qualify for reduced rates.
- II. **Overbooking practices:** OTAs have faced criticism for overbooking practices, where they accept more reservations than the number of rooms actually available. While this approach is often used to mitigate the impact of potential cancellations, it can lead to guest

dissatisfaction and negatively affect the property's reputation when confirmed bookings cannot be fulfilled³⁰⁸.

- III. **OTA competition with hotels:** OTAs seen bidding on hotel brand names in search engine advertising, causing their sponsored listings to appear above the hotel's official website in search results. This practice diverts direct bookings away from hotels, increasing their dependence on OTAs and the associated commission costs.

Figure 59: Example of OTA buying domain (advertising) on Google search results



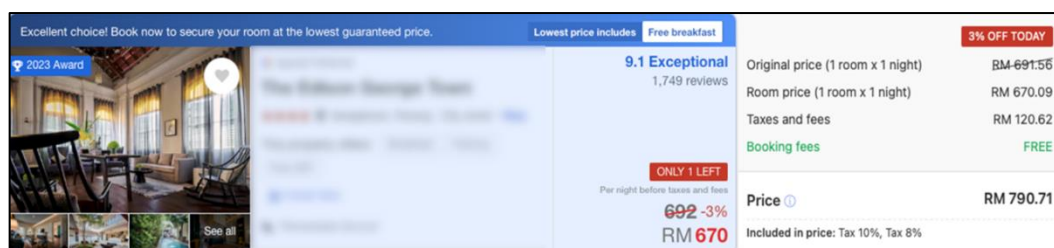
Source: Google

- IV. **Misleading reviews:** Selected OTAs are alleged to not assess the authenticity of user reviews for properties. While properties can appeal reviews, the process can be lengthy and challenging to navigate. Reviews will remain on the platform unless they are found to violate the review guidelines.
- V. **Challenges in communication with OTAs** (especially for small properties without MMs): OTAs typically use a ticket-based system for support, requiring properties to communicate via email or tickets. Response times vary depending on the OTA and the availability of customer support staff.
- VI. **Drip pricing:** Refers to the practice of incremental disclosure of mandatory charges during an online transaction process, by showing consumers an initial price for a product and introducing (or 'dripping') additional fees as consumers proceed with a purchase or

³⁰⁸ Input from industry players.

transaction. This occurs when an OTA presents a base price for accommodation at the outset, but hidden fees such as service charges, taxes, or cleaning fees are added later in the booking journey³⁰⁹.

Figure 60: Example of drip pricing



Lowest price includes		Free breakfast
Original price (1 room x 1 night)		RM 691.56
Room price (1 room x 1 night)		RM 670.09
Taxes and fees		RM 120.62
Booking fees		FREE
Price		RM 790.71
Included in price: Tax 10%, Tax 8%		

Source: Secondary reserach

³⁰⁹ The National Law Review (2023). What Is partitioned pricing, the subject of recent regulatory and litigation scrutiny? <https://natlawreview.com/article/what-partitioned-pricing-subject-recent-regulatory-and-litigation-scrutiny>

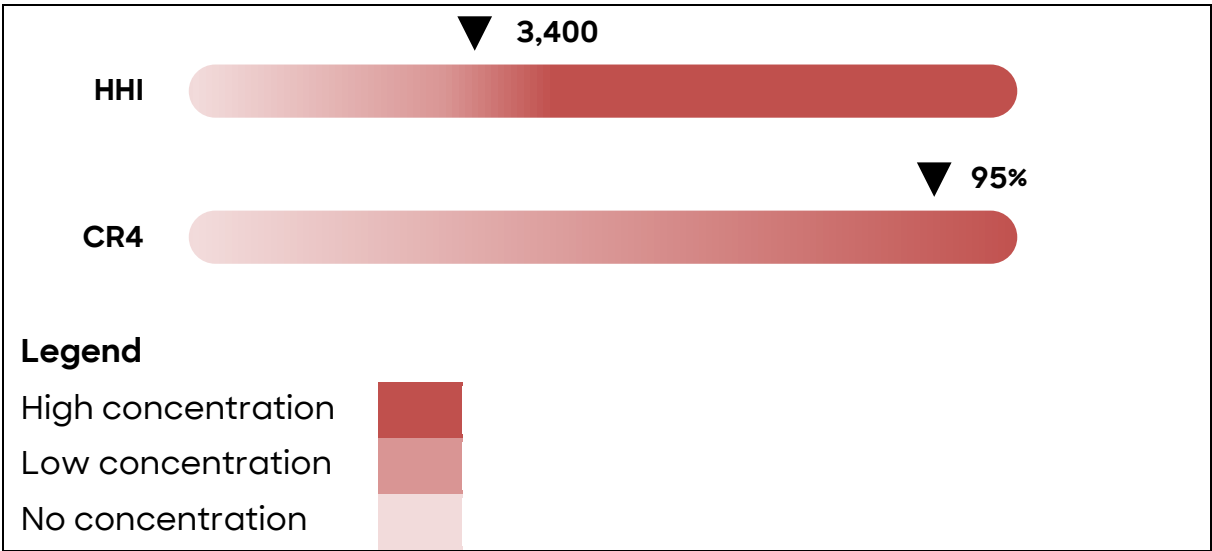
5.1.11 Competition assessment

5.1.11.1 Market concentration

Through focus group discussions and IDIs, stakeholders view that Malaysian OTA sub-sector is highly concentrated, with Agoda and Booking.com each holding an estimated 30-40% market share in property bookings. Traveller usage data further supports this, with 80% of travellers in Malaysia using Agoda and 73% using Booking.com as of 2023, while other platforms (e.g., Traveloka, Trip.com) remain below 50%.

Market concentration was further analysed using the Herfindahl-Hirschman index (HHI) and Concentration Ratio (CR4):

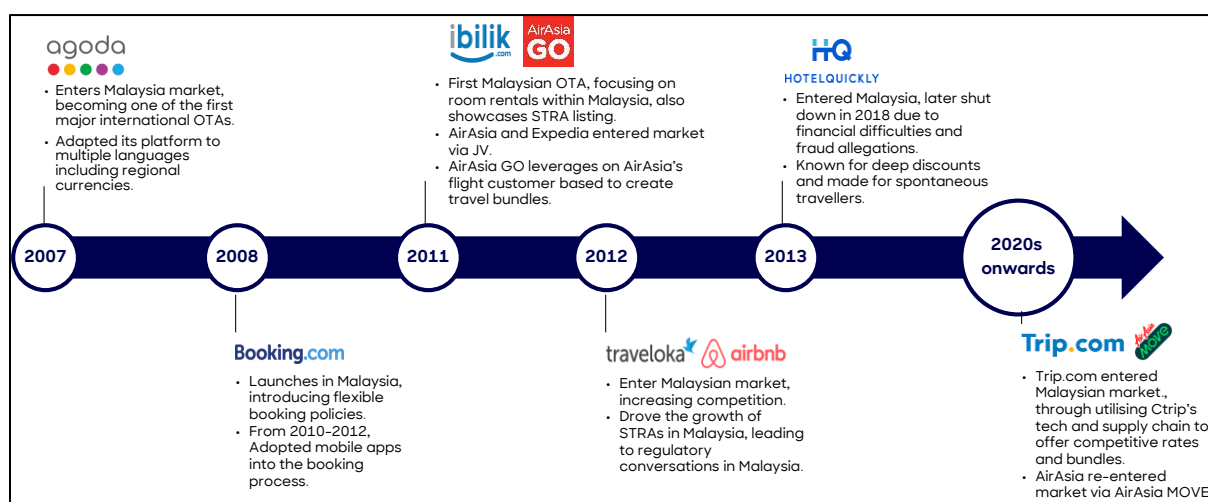
Figure 61: Market concentration level in the OTA sub-sector, June 2025



Source: MyCC analysis

5.1.11.2 Market dynamics

Figure 138: Key developments of the accommodation-focused OTA sector in Malaysia



Source: MyCC analysis

The OTA market in Malaysia exhibits a moderate to high degree of dynamism. The sub-sector began gaining traction in the early 2000s, with Agoda being among the first major international players to establish its presence in the Malaysian market in 2007. Booking.com followed suit in 2008, introducing flexible booking policies that appealed to travellers. These platforms quickly gained momentum, driven by aggressive marketing strategies, partnerships with established hotel chains, and competitive pricing that resonated with the growing number of online-consumers.

During the initial phase, smaller players like iBilik and HotelQuickly also emerged, targeting niche segments such as room rental, STRA, and last-minute bookings. iBilik, a localised platform founded in 2011, focused largely on room rentals within the Malaysian market³¹⁰, while HotelQuickly, established in 2012 and entering the Malaysian market in 2013³¹¹, specialised in last-minute hotel bookings. However, both struggled to make

³¹⁰ LinkedIn (2025). iBilik. <https://www.linkedin.com/company/ibilik/>

³¹¹ Archive.today (2013). HotelQuickly arrives in Vietnam. https://archive.ph/20140505083509/http://webintravel.com/news/hotelquickly-arrives-in-vietnam_3729

a significant impact – iBilik's narrow focus on the local market may have limited its growth, while HotelQuickly folded in 2018 due to speculations of fraudulent activity and its inability to achieve profitability³¹².

In March 2011, AirAsia and Expedia Group formed a 50:50 joint venture (AirAsia × Expedia (AAE) Travel Pte Ltd), with the goal to capitalise on the fast-growing online travel segment in Asia³¹³. The partnership combined AirAsia's low-cost carrier network with Expedia's OTA capabilities, offering bundled travel products through platforms such as AirAsiaGo.com and Expedia.com. Expedia increased its stake to 75% in 2015 and fully acquired the joint venture in 2018 for USD 60 million³¹⁴.

By the early-2010s, competition intensified with the entry of regional players like Traveloka and Airbnb, both of which entered the Malaysian market in 2012. The rapid rise of mobile further fuelled the expansion of OTAs (as of 2023, the percentage of individuals using mobile phones in Malaysia is 99.4%³¹⁵), allowing them to reach broader audiences and enhance the user experience.

More recently, AirAsia re-entered the OTA space through the launch of its Superapp (now MOVE)³¹⁶, offering integrated OTA functionalities alongside lifestyle, financial, and mobility services.

5.1.11.3 Degree of horizontal and vertical integration

Integration within the OTA sub-sector is relatively active, primarily driven by key global players aiming to expand their reach and scale.

³¹² HNWorth (2019). Falling from grace: Inside the biggest start-up failures in Asia. <https://hnworth.com/article/invest/insights/falling-from-grace-inside-the-biggest-start-up-failures-in-asia/>

³¹³ Air Asia (2011). Joint venture between Air Asia Berhad and Expedia Inc on Online Travel Agency (“OTA”). https://www.capitala.com/newsroom/Joint_Venture_with_Expedia_Inc.pdf

³¹⁴ Air Asia (2018). Expedia Group announces full ownership of AAE Travel Pte Ltd. <https://newsroom.airasia.com/news/2018/8/14/expedia-group-announces-full-ownership-of-aae-travel-pte-ltd#gsc.tab=0>

³¹⁵ DOSM (2024). Malaysia digital economy 2024, page 59. https://storage.dosm.gov.my/gdp/digitaleconomy_2023.pdf

³¹⁶ A key player in Malaysia in the flight-focused OTA market. Not covered in this study due to focus being accommodation-led OTA.

Vertical integration is typically carried out by OTAs to expand its service offering to areas such as travel insurance, car rentals, and tour packages. A notable example is Trip.com Group's acquisition of Skyscanner in 2016³¹⁷, which allowed Trip.com to incorporate flight search capabilities and metasearch functionality into its service offerings. Another significant acquisition was the metasearch engine Kayak by Booking Holdings in 2012³¹⁸, further expanding its portfolio.

In terms of horizontal integration, Agoda has benefited from its acquisition by Booking Holdings in 2007³¹⁹, leveraging the resources and technology of its parent company. Additionally, Expedia Group acquired Vrbo as part of its purchase of HomeAway in 2015, enhancing its presence in the vacation rental market.

5.1.11.4 Level of entry barriers

Entering the OTA sub-sector requires substantial capital investment in advanced technology to develop seamless booking platforms, ensure secure transactions, and integrate real-time data with service providers. According to Amadeus, a travel and tourism technology company, 94% of OTAs interviewed plan to maintain or increase their technology spending, underscoring the sector's reliance on continuous innovation³²⁰.

Furthermore, existing strategies deployed by OTAs also created entry barriers for new players. Established OTAs are observed to leverage aggressive pricing strategies, promotions, and discounts to attract price-sensitive travellers, making it difficult for new entrants to compete without significant financial backing.

³¹⁷ Trip.com (2016). Ctrip announces completion of acquisition of Skyscanner. <https://investors.trip.com/news-releases/news-release-details/ctrip-announces-completion-acquisition-skyscanner>

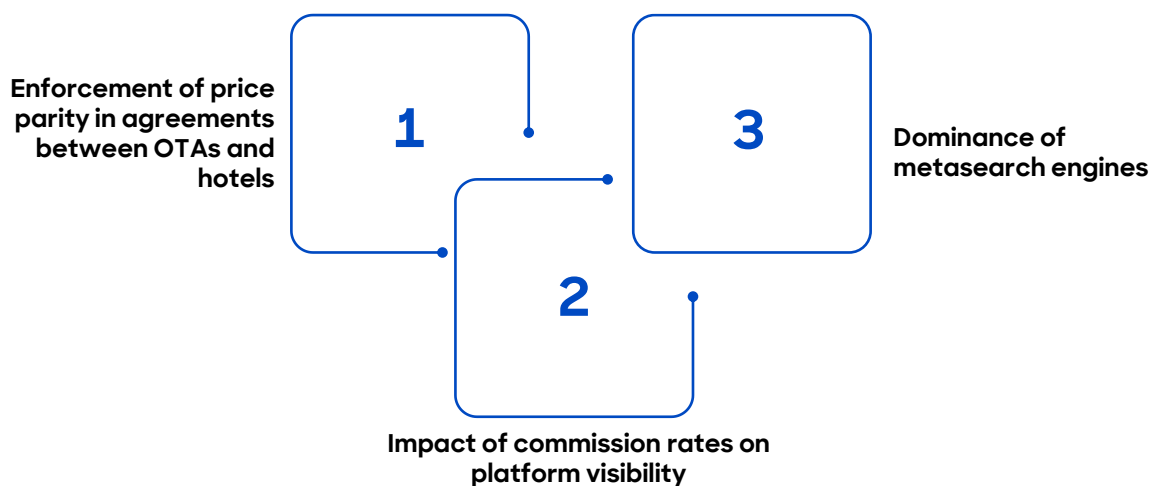
³¹⁸ TechCrunch (2012). Priceline.com acquires Kayak for \$1.8 billion, will allow Kayak to continue to operate independently. <https://techcrunch.com/2012/11/08/priceline-com-acquires-kayak-for-1-8-billion/>

³¹⁹ Agoda (2007). Priceline.com acquires Asian online hotel reservation service Agoda company. <https://www.agoda.com/info/priceline.html?cid=-218&ds=cx%2Fuz9U7DMAX%2Fe4y>

³²⁰ Amadeus (2024). Travel technology investment trends: Online travel agencies. <https://amadeus.com/en/resources/research/travel-tech-investment-trends-ota>

5.1.12 Key anti-competitive issues

Figure 62: Summary of key anti-competitive issues

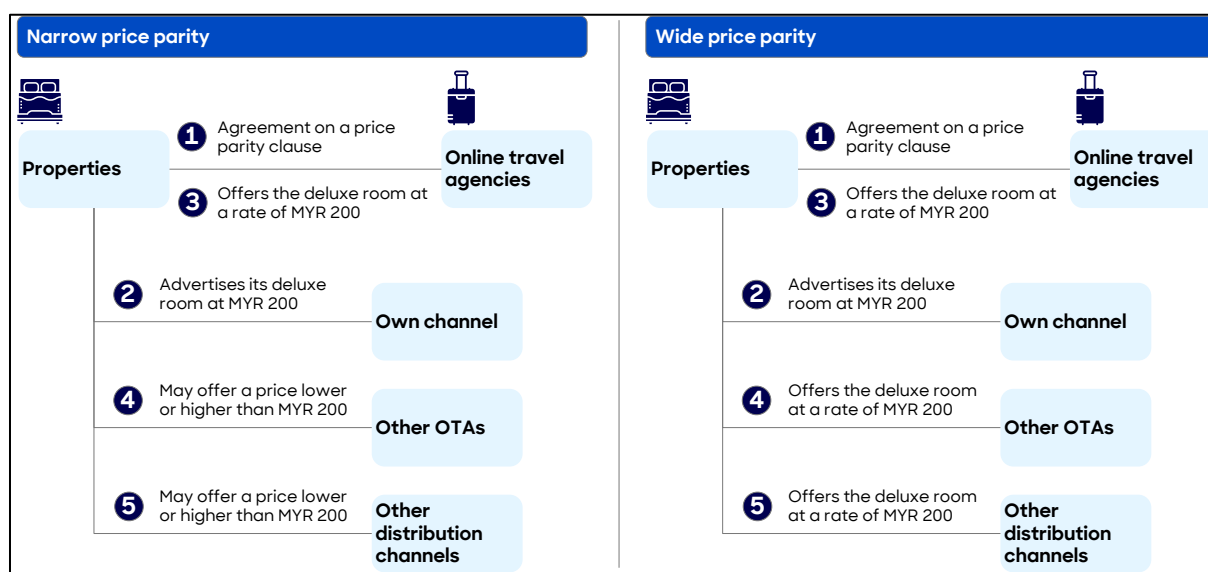


Source: MyCC analysis

5.1.12.1 Enforcement of price parity in agreements between OTAs and hotels

Description: Price parity, also known as the Most Favoured Nation (MFN) practice, is a contractual requirement imposed by OTAs that obligates hotels to offer the same prices on OTA platforms as they do on their own websites or other distribution channels. For instance, if a hotel lists a deluxe room at MYR 200 on its website, the same rate must be offered to the OTA. This applies to any discounted or promotional rates as well, with hotels required to notify OTAs of such offers. This clause can vary in scope, typically falling into either a narrow or wide arrangement.

Figure 63: Difference between narrow and wide price parity



Source: MyCC analysis

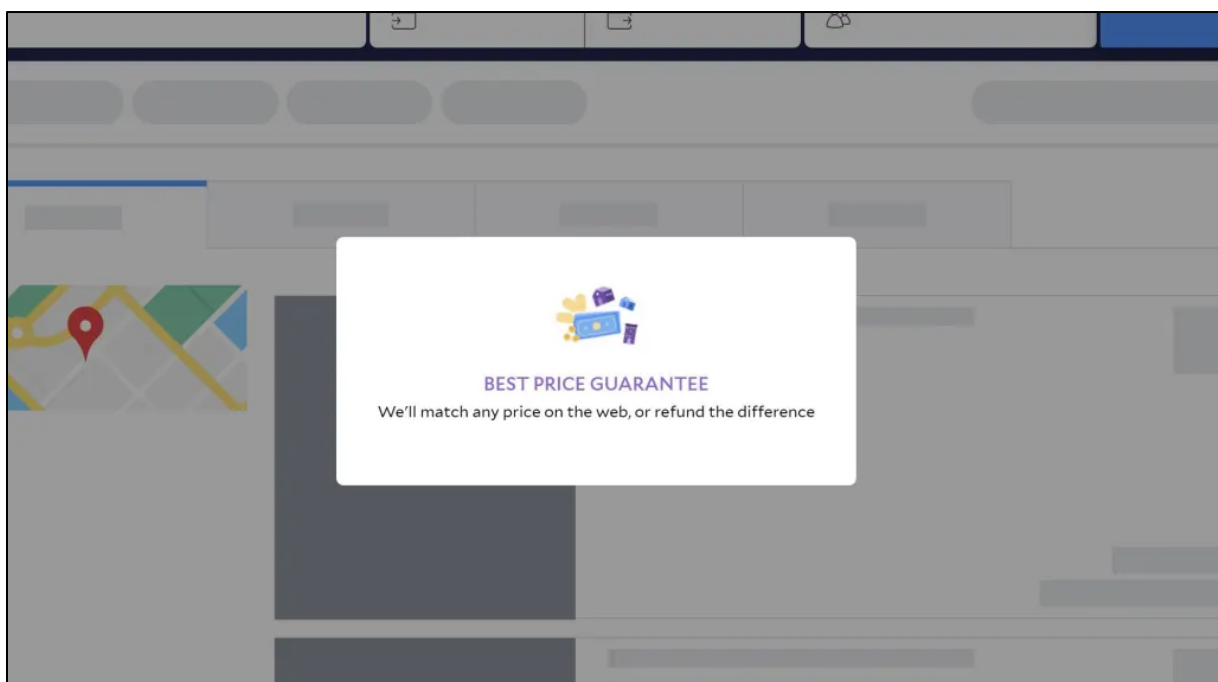
- **Narrow price parity:** This restricts properties from offering the same rate only on their own direct channels, such as their website or sales team such as bookings through phone or in-person (e.g., the property must offer MYR 200 on the OTA if it is offered on the property's direct channel).
- **Wide price parity:** This is the stricter form of parity. It extends the restriction to both the property's direct channels and other third-party distribution channels. In this case, the property must offer the same rate not only on its website but also to other OTAs, travel agents, GDS, and wholesalers.

From the OTA's perspective, price parity is used to prevent consumers from "free-riding," i.e., using OTAs primarily as price comparison tools without making a booking, which could undermine the OTA business model. OTAs also argue that consistent pricing across distribution channels reduces consumers' property search costs, such as time spent comparing prices across different platforms. This helps ensure a smoother and more predictable booking experience, as consumers can trust that the rates are similar everywhere.

OTAs assert that the price parity agreement is based on mutual consent, as properties must agree to the rate before the OTA can sell the room. While the ultimate control rests with the property, OTAs can exert indirect pressure due to their significant contribution to sales, with some OTAs accounting for more than 75% of a hotel's room sales.

Moreover, OTAs may run self-funded marketing campaigns, using either their own budget or funds subsidised through commission fees, without prior consultation with the property. These campaigns can sometimes promote rates lower than those offered on the hotel's own website, compelling hotels to closely monitor and enforce rate parity. This creates a significant resource burden, particularly for smaller operators who may lack the capacity to consistently track and manage pricing across multiple platforms.

Figure 64: Agoda's "Best price guarantee"



Source: Agoda

For example, Agoda's marketing campaign promotes a "Best Price Guarantee", pledging to match any lower rate found elsewhere online³²¹. However, such action can undermine price parity agreements with properties as it disrupts agreed-upon pricing across platforms.

When OTAs engage in such (self-funded) campaigns, it can also negatively affect the property's brand image. Properties typically set their pricing to align with their service standards and overall brand positioning. Offering "lower than expected rates" through OTAs can lead to consumer misperceptions about the quality and value of the hotel experience, potentially damaging the hotel's reputation and its ability to attract guests at the desired price point³²².

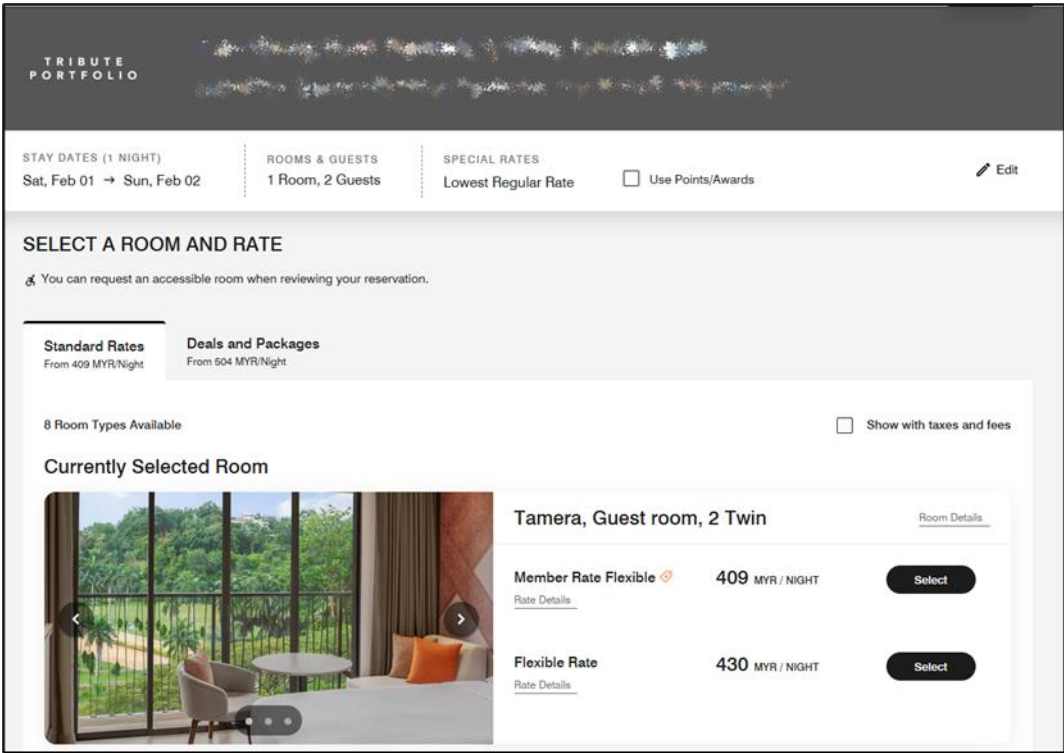
Furthermore, selected OTAs are accused of circumventing such clauses sometimes by sourcing wholesale rates from third-party suppliers and offering rooms at a lower price, often without the property's knowledge. This practice may lead to accusations of "rogue pricing" and undermined confidence among property partners³²³.

³²¹ Agoda (2025). Policies. <https://www.agoda.com/info/agoda-policies.html?cid=1844104&ds=bVlhATAmwFdnxS3r>

³²² Input from IDI.

³²³ Skift (2023). Expedia CEO calls out rival Agoda: How they get those cheap prices. <https://skift.com/2023/05/31/expedia-ceo-calls-out-rival-agoda-how-they-get-those-cheap-prices/?>

Figure 65: Member-only rate offered to customers by a hotel’s direct booking website



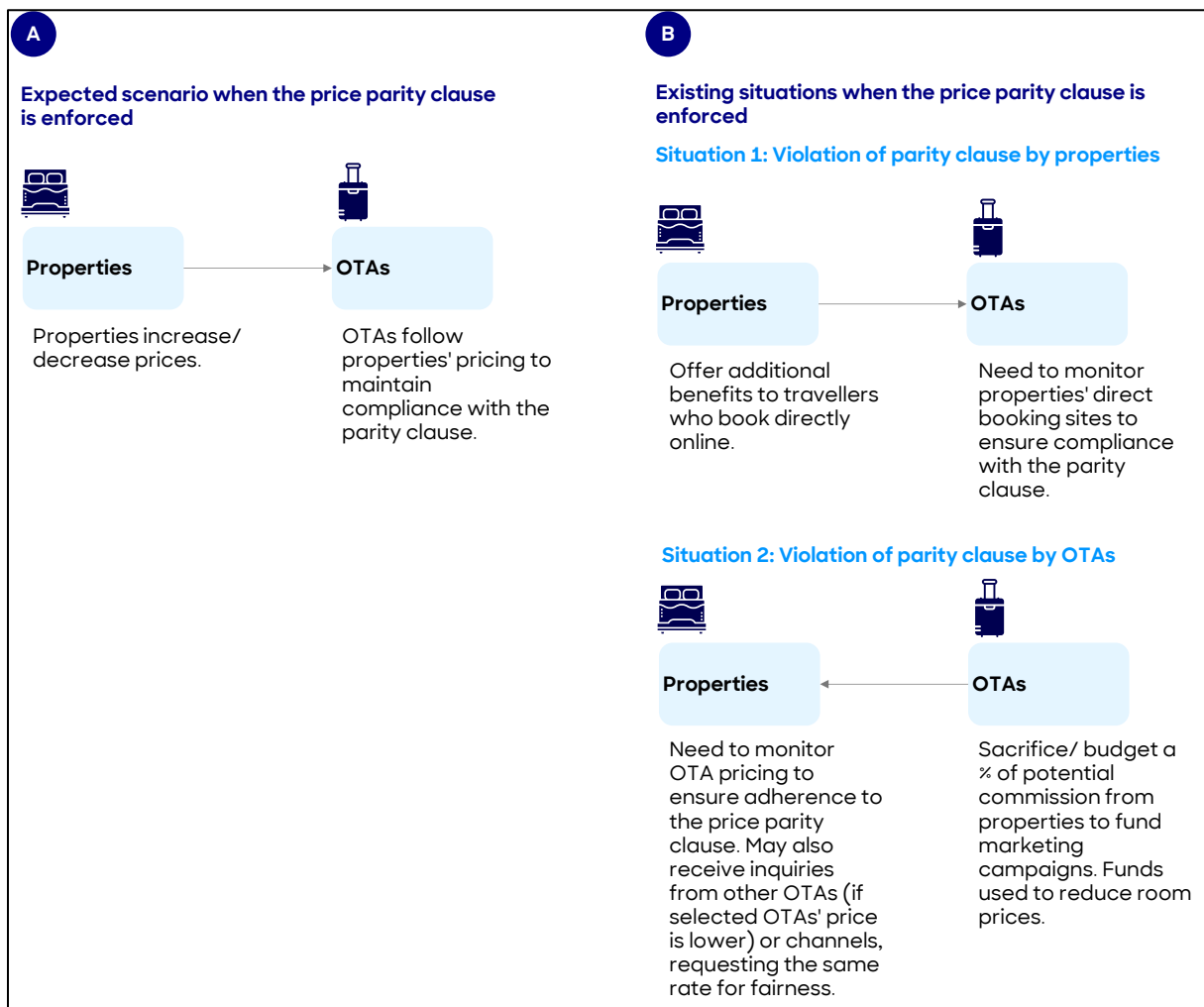
Source: Selected hotel’s website

Figure 66: Benefits for member rate - provision of local coffee culture experience

Rate Details
Member Rate Flexible, Additional Information Commissionable Rate Member room only rates Enjoy local coffee culture with our very own Kopidulu experience at Courtyard

Source: Selected hotel’s website

Figure 67: Illustration of expected scenario and existing situations when the price parity clause is enforced



Source: Interaction with industry players

On the other hand, properties can circumvent price parity clauses by offering indirect incentives, such as discounts on supplementary services (e.g., food and beverages), to encourage direct bookings. These tactics comply with the price parity agreement since the discounts do not affect the room rate, which is the primary focus of the agreement.

Implication on competition:

- **Reduces property's competitiveness** by hindering their ability to foster customer loyalty and retain higher margins through direct bookings.

- Also **reduces property's competitiveness** due to the need to increase marketing expenditure (to highlight differentiation through the offering of items such as supplementary services) to compete with OTAs – this is particularly pronounced for smaller hotels that lack the financial resources to match the large advertising budgets of OTAs.
- **Reduces market diversity** through requiring parity in price in different distribution channels.
- **Uneven playing field** as OTAs typically have strong dominance in the market which then further disadvantages smaller hotels with limited resources to compete effectively.

Relevant case(s): In 2020, the Competition Commission of Hong Kong (HKCC) investigated Booking.com, Expedia, and Trip.com, which together is considered to represent a significant portion of OTA bookings in Hong Kong. The investigation found that the parity clauses in their agreements with accommodation providers could potentially soften competition among OTAs and impede the entry and growth of new or smaller OTAs³²⁴. The specific parity clauses identified were:

- **Wide price parity:** Accommodation providers required to offer OTAs the same or better prices than those available through any other sales channels.
- **Wide conditions parity:** Accommodation providers required to offer OTAs the same or better room conditions as those provided through other sales channels.
- **Room availability parity:** Accommodation providers required to ensure OTAs had at least as favourable room availability as that offered to any other competitor.

³²⁴ Concurrences (2020). The Hong Kong Competition Authority launches a public consultation on the commitments offered by three online travel agents to remove certain parity clauses in their contracts with accommodation providers (*Booking.Com / Expedia / Trip.Com*). <https://www.concurrences.com/en/bulletin/news-issues/march-2020/the-hong-kong-competition-authority-launches-public-consultation-on-the-en>

As a result of this engagement, the three OTAs voluntarily committed to discontinue the enforcement of, and refrain from entering, agreements containing these price clauses. Following a public consultation to collect feedback, the HKCC accepted these commitments and gave the OTAs with a 90-day period to remove the clauses from existing agreements with HK accommodation providers. The commitments will remain in place for five years, during which the OTAs are required to self-report to the HKCC and submit annual compliance statements³²⁵.

In 2012, Hotelverband Deutschland (IHA), representing over 2,600 hotels, filed a complaint with the Bundeskartellamt concerning Booking.com's use of wide and narrow rate parity clauses³²⁶. The Bundeskartellamt ruled in 2015 that these clauses had anti-competitive effects, leading Booking.com to appeal the decision³²⁷. The case progressed through various legal stages, culminating in a 2024 preliminary ruling by the European Court of Justice (ECJ).

In September 2024, the judgement by ECJ did not uphold the Bundeskartellamt's decision nor declare Booking.com's rate parity clauses illegal under EU competition law. Instead, the Court clarified that such clauses cannot be considered "ancillary restraints" under Article 101(1) of the Treaty on the Functioning of the European Union (TFEU), as they are neither objectively necessary nor proportionate to the main service provided by Booking.com³²⁸. The ECJ acknowledged that while OTAs like

³²⁵ HKCC (2020). Proposed commitments by online travel agents – Questions and answers. https://www.compcomm.hk/en/media/press/files/QA_Commitment_Consultation_EN.pdf ; Concurrences (2020). The Hong Kong Competition Authority launches a public consultation on the commitments offered by three online travel agents to remove certain parity clauses in their contracts with accommodation providers (Booking.com/Expedia/Trip.com). <https://www.concurrences.com/en/bulletin/news-issues/march-2020/the-hong-kong-competition-authority-launches-public-consultation-on-the-en>

³²⁶ Bundeskartellamt (2013). Online hotel portal HRS's 'best price' clause violates competition law – Proceedings also initiated against other hotel portals. https://www.bundeskartellamt.de/SharedDocs/Meldung/EN/Pressemitteilungen/2013/20_12_2013_HRS.html

³²⁷ Bundeskartellamt (2016). 'Best Price' clause of online hotel portal Booking also violates competition law. https://www.bundeskartellamt.de/SharedDocs/Entscheidung/EN/Fallberichte/Kartellverbot/2016/B9-121-13.pdf?__blob=publicationFile&v=2

³²⁸ Court of Justice of the European Union (2024). Online accommodation reservation platforms: price parity clauses cannot, in principle, be classified as 'ancillary restraints' for

Booking.com offer significant benefits, including increased visibility for hotels and consumer convenience, the parity clauses in question were not essential for these benefits to materialise.

Furthermore, the ECJ's ruling did not resolve the underlying legal disputes but provided guidance for national courts in EU Member States, including Germany and the Netherlands, on assessing the compatibility of rate parity clauses with EU competition law³²⁹. Consequently, both the German and Amsterdam courts are expected to re-examine the legality of these clauses, applying the ECJ's criteria to their respective cases.

It is also important to note that the German case has not been transferred to the Amsterdam Regional Court. The proceedings in Germany and the Netherlands remain separate, each addressing similar legal topics within their jurisdictions.

Observations in Malaysia: Price parity is a key component of agreements between hotels and OTAs in Malaysia, with variations depending on the OTA (wide or narrow). According to an OTA operating in the country, the price parity clause is crucial to prevent consumers from using the OTA as a comparison site and then booking directly on the hotel's website.

However, while the clause restricts both hotels and OTAs from altering prices without mutual consent, it has been observed that OTAs employ various tactics to gain a competitive edge. According to a resort based in Negeri Sembilan, OTAs can lower prices through their own promotions, discounts, and bundled deals with attraction-related partners, over which the resort has no control. This, in effect, breaches the price parity agreement. Despite raising this issue multiple times with the OTA's MM, no effective solution has been implemented.

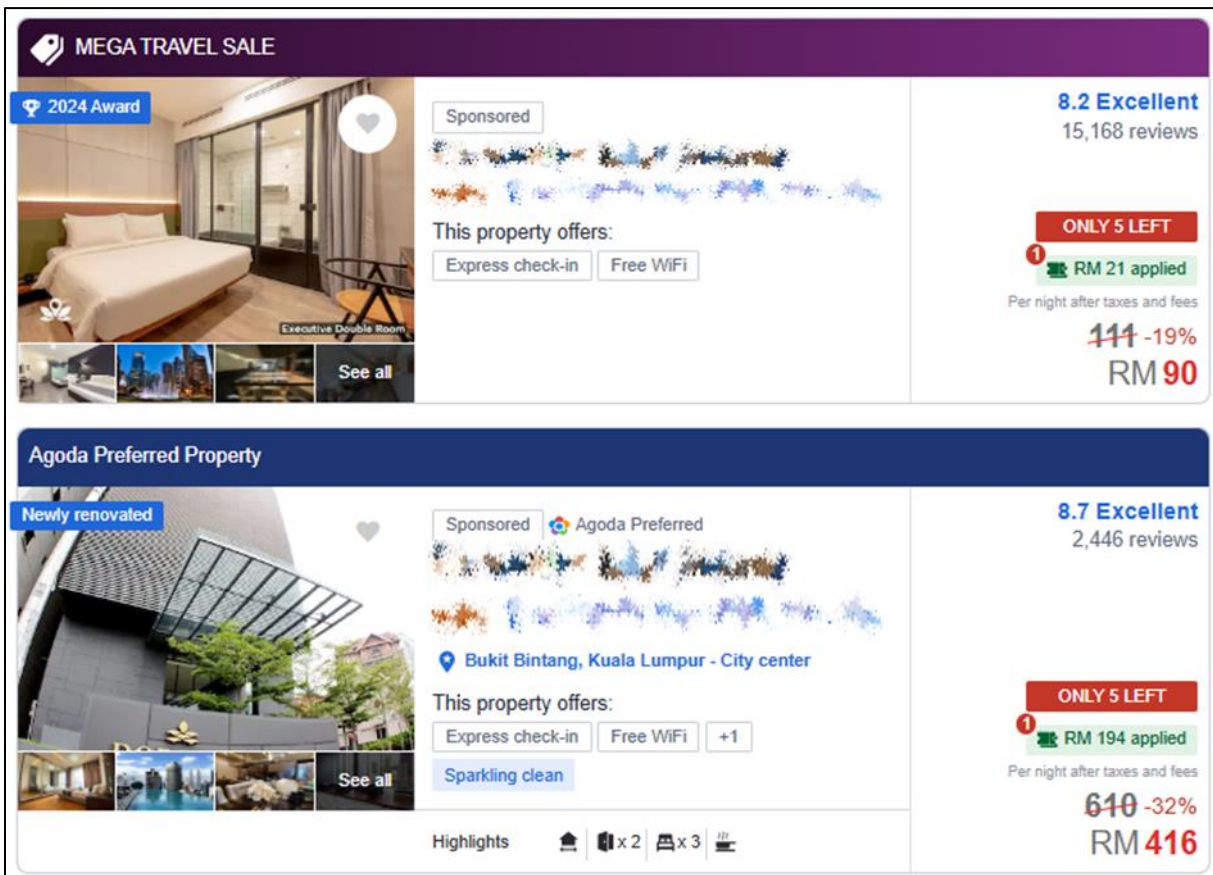
5.1.12.2 Impact of commission rates on platform visibility

purposes of EU competition law.
<https://curia.europa.eu/jcms/upload/docs/application/pdf/2024-09/cp240145en.pdf>

³²⁹ European Union Law (2024). Judgment of the Court (Second Chamber) of 19 September 2024. Booking.com BV and Booking.com (Deutschland) GmbH v 25hours Hotel Company Berlin GmbH and Others. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:62023CJ0264>

Description: Property rankings on OTA platforms are influenced by factors such as popularity, quality, and price. Properties can also improve their rankings by paying higher commission rates or participating in marketing programmes. Despite these efforts, there is no guarantee of achieving the desired visibility in search results. The exact algorithms behind these rankings remain dispute, leaving properties uncertain about how these factors are quantified or prioritised.

Figure 68: Sponsored listings as seen in Agoda and Booking.com³³⁰



Source: Secondary research

For properties with better financial means and able to pay higher commissions in return for greater visibility, this will result in a biased ranking for consumers. Effectively, end users may be guided towards options that do not necessarily meet their needs or preferences. This is despite the

³³⁰ Examples are intended to illustrate potential issues and do not imply any lack of transparency on the part of the OTAs.

sponsored or advertised listings are typically highlighted in the search results but may sometimes be too subtle for users to notice.

Additionally, there is a reported lack of transparency in account management processes, including account suspension, termination, and reactivation. Smaller hotels have claimed that their accounts were suspended or terminated without clear or detailed explanations, with OTAs often citing vague reasons. This leaves hotels with little recourse to challenge such decisions, disrupting their visibility and bookings on critical platforms.

The review evaluation process is also opaque. While hotels are required to provide evidence to contest negative reviews, selected OTAs are highlighted to not disclose how such reviews are assessed. This opacity can lead to reputational harm, particularly for smaller hotels that rely heavily on positive reviews to drive bookings, reducing their ability to compete on a level playing field. Further, the lack of transparency often results in misleading or erroneous reviews remaining publicly visible, which can harm a hotel's reputation and booking performance.

Implication on competition:

- **Uneven playing field** as hotels with limited resources struggle to match the financial flexibility of larger players who can afford higher commissions or promotional fees to boost their visibility.
- **Reduced market fairness** when the lack of transparency in account management gives OTAs disproportionate control over hotel success.

Relevant case(s): In 2022, in addition to finding Booking.com's price parity agreements anti-competitive, the Spanish National Authority for Markets and Competition (CNMC) also charged the platform for not providing sufficient transparency regarding the impact and cost-effectiveness of its subscription programs such as Preferred, Preferred Plus, and Genius. These programs allow hotels to improve their rankings in Booking.com's predetermined search results in exchange for higher commission fees or discounts on the best-selling or lowest-priced rooms.

The CNMC further highlighted that Booking.com restricted competition from other OTAs by considering various biased factors in its ranking algorithm:

- **Hotel's total number of bookings:** This criterion incentivises hotels to concentrate their online bookings exclusively through Booking.com, which prevents competing OTA from entering or expanding in the market.
- **Performance:** One of the criteria for hotels to join or remain in the Preferred and Preferred Plus programs. This performance-based model encourages hotels to adopt a pricing and availability strategy that consolidates their sales on Booking.com, ultimately disadvantaging competing OTAs.

Booking.com was fined a total of EUR 413.2 million by CNMC³³¹. However, upon making an appeal to the courts, the fine by CNMC has been suspended until the appeal is resolved³³².

Moreover, in 2024, the Competition and Consumer Commission of Singapore (CCCS) concluded an investigation into Agoda's online practices and found that several features on its website and mobile application were likely to mislead consumers and impair their ability to make informed decisions³³³. CCCS's findings focused on both the presentation of search results and the way information was conveyed during the booking process:

Key concerns identified by CCCS:

³³¹ CNMC (2024). The CNMC fines Booking.com €413.24 million for abusing its dominant position during the last 5 years. https://www.cnmc.es/sites/default/files/editor_contenidos/Notas%20de%20prensa/2024/20240730_NP_%20Sancionador_Booking.com_eng.pdf

³³² EuroWeekly (2025). Spain's €413m fine against Booking.com suspended. <https://euroweeklynews.com/2025/03/09/spains-e413m-fine-against-booking-com-suspended/>

³³³ CCCS (2025). CCCS raises concerns over problematic features on Agoda's website. <https://www.cccs.gov.sg/media-and-events/newsroom/announcements-and-media-releases/cccs-raises-concerns-over-problematic-features-on-agoda-s-website>

- “Best Match” label suggested search results were based solely on user preferences, when Agoda’s algorithm also incorporated its own earnings.
- “Agoda Preferred” badge implied certain properties were “trusted and verified”, without initially disclosing that hotels paid higher commissions for the badge.
- Default search rankings gave the impression of order based on relevance, but visibility could also be boosted through paid programmes like “Preferred Partner” or sponsored listings.
- “Cheapest x-star stay” label inaccurately identified some properties as the cheapest in their star category, even when they were not.
- The five-minute countdown timer on the website’s booking process created a potential false sense of urgency, despite users being able to extend it.

In response to CCCS’s concerns and undertaking, Agoda made the following updates to improve transparency and consumer clarity:

- The “Best Match” label was replaced with “Our Picks” to better indicate that result rankings reflect Agoda’s recommendations, not pure user relevance.
- Explanatory text for the “Agoda Preferred” badge was revised to explicitly disclose that those properties pay additional commission.
- The platform’s search ranking explainer was updated to clarify that placement can be influenced by factors including payments made to Agoda.
- The “Cheapest x-star stay” label was removed entirely to prevent misleading impressions.
- The countdown timer on the website was standardized to a full 20 minutes, aligned with the mobile app, to reduce undue pressure on consumers.

These revisions were voluntarily adopted by Agoda across both Agoda’s website and mobile application following CCCS’s review to align with CCCS’s guidelines for fair and transparent online marketing practices³³⁴.

³³⁴ Channel News Asia (2025). Agoda modifies 'problematic features' on website and app after competition watchdog raises concerns.

Observations in Malaysia: According to a hotel revenue management player, hotels can pay higher commission rates to improve their rankings on the OTA platform. This was further highlighted by selected OTAs where such practice is common and sometimes can even be initiated by the hotels.

Additionally, for a resort participating in an OTA marketing programme, it reported that despite paying higher commission rates, there was no noticeable improvement in rankings. Combined with the lack of transparency around the OTA's ranking algorithm, this situation puts the resort and other smaller players at a disadvantage, especially when it comes to gaining visibility.

Separately, it was noted through interviews with hotels that their account on the OTA platform can be terminated for alleged breach of terms without clear explanations. Upon termination, no appeals can be made.

5.1.12.3 Dominance of metasearch engines

Description: Metasearch engines' growing influence is directing customer traffic primarily to a select group of OTAs or directly to hotels' websites, often those that pay for higher visibility on these platforms. Prominent placement in search results is typically determined by financial arrangements, undermining consumer choice and competitive merits.

Specifically, Google plays a significant role in the metasearch engine space, operating products such as Google Flights and Google Hotels while also functioning as the primary discovery platform through Google Search. This combination allows Google to influence the flow of user traffic across the sector, including to OTAs and hotel websites, and its own travel services, raising concerns about self-preferencing³³⁵.

https://www.channelnewsasia.com/singapore/agoda-misleading-features-travel-website-app-consumers-cccs-5184241?cid=internal_sharetool_androidtablet_16062025_cna

³³⁵ The Guardian (2025). Google investigated by UK watchdog over search dominance. <https://www.theguardian.com/technology/2025/jan/14/google-investigated-uk-search-dominance-cma-data>

Google's position is further reinforced by the extent of its market power and vertical integration. Its control over both general search functions and its own travel-related services enables it to influence what users see and where they are directed ³³⁶. This has implications for other market participants, such as rival metasearch engines and online travel agencies, whose visibility often depends on their ranking within Google Search. When Google gives greater prominence to its own services, these competitors may be placed at a disadvantage.

Furthermore, some metasearch engines are affiliated with parent companies that also operate major OTAs. Such ownership structure may create potential conflicts of interest, enabling self-preferencing practices that funnel traffic disproportionately toward their affiliated OTAs. For example, Trivago and Kayak are affiliated with major OTAs (Expedia and Booking Holdings).

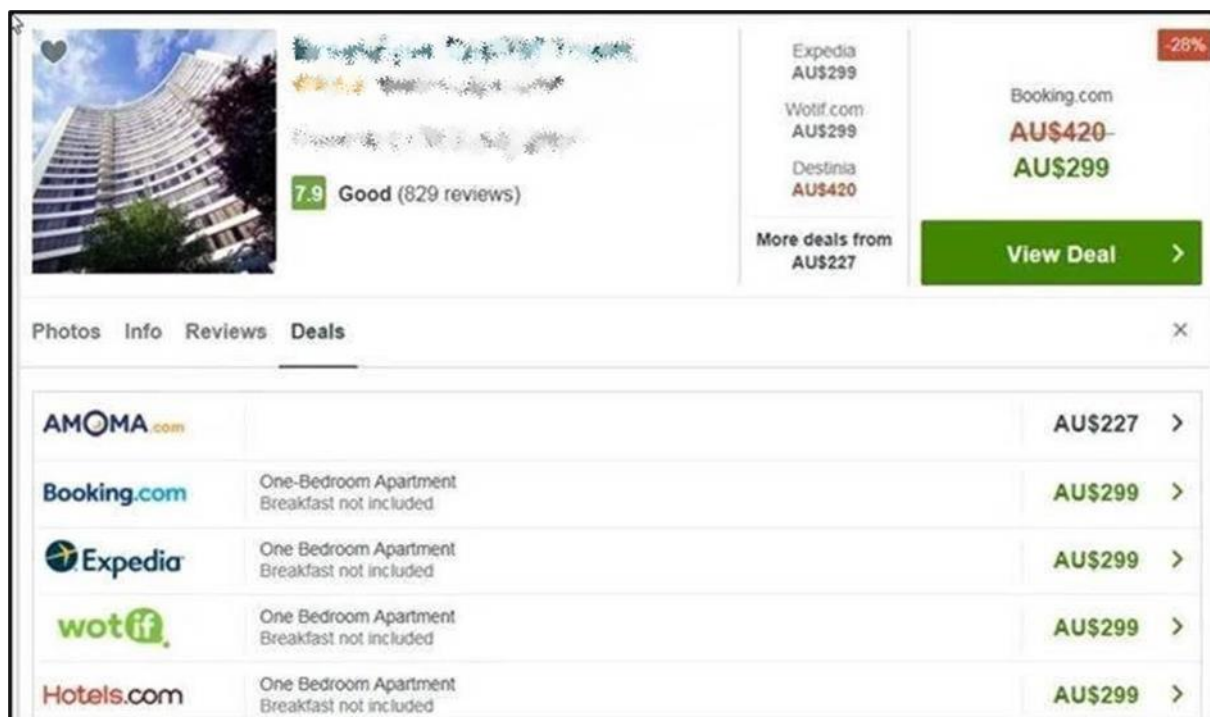
Implication on competition:

- **Reduced competition** as the growing dominance of metasearch engines may favour OTAs and hotels with greater financial resources, limiting market access for smaller or independent OTAs and hotels.
- **Distorted consumer choice** since search result rankings may be dominated by financially strong OTAs and hotels.
- **Self-preferencing concerns** arise from the ownership structure of selected metasearch engines that are linked to major OTAs and may direct traffic toward their affiliated OTAs, further disadvantaging competitors.

Figure 69: Example of preferential treatment of selected OTAs by Trivago³³⁷

³³⁶ International Centre for Law and Economics (2022). Antitrust unchained: The EU's case against self-preferencing. <https://laweconcenter.org/resources/antitrust-unchained-the-eus-case-against-self-preferencing/>

³³⁷ ACCC (2018). ACCC takes action against Trivago over hotel price advertisements. <https://www.accc.gov.au/media-release/accc-takes-action-against-trivago-over-hotel-price-advertisements>



Source: ACCC

Relevant case(s): In recent years, following the implementation of the DMA, Google Search can no longer showcase its own vertical services such as Google Maps or Google Hotels on search results, as these were deemed as "self-preferencing."

As part of its compliance efforts, Google removed direct links to Maps from its main Search results page in the EU³³⁸. This has had the unintended consequence of promoting intermediaries like OTAs, while reducing visibility for direct suppliers such as hotel operators, local airlines, and small retailers. Hotel association in Europe, Committee of the Hotel and Restaurant Industry in the European Community (HOTREC), expressed concern, warning that the new layout risks reducing the visibility of direct hotel websites in favour of powerful online platforms³³⁹. By shifting user attention toward OTAs, the DMA's implementation could increase costs for local providers and further entrench dominant digital intermediaries.

³³⁸ Hotel Report (2024). Google's removing elements from hotel search results in EU to comply with the DMA. <https://hotel.report/technology/googles-removing-elements-from-hotel-search-results-in-eu-to-comply-with-the-dma>

³³⁹ HOTREC (2024). How will the Digital Markets Act impact your holiday search experience? https://www.hotrec.eu/en/news/how_will_the_digital_markets_act_impact_your_holiday_search_experiences.html

In response to this, some app developers have released browser extensions to restore features like map integration, highlighting the demand for functionality that was lost due to DMA-related changes³⁴⁰.

Separately in August 2018, the Australian Competition & Consumer Commission (ACCC) initiated legal proceedings against Trivago and in January 2020, the Australian Federal Court ruled that Trivago had violated Australian Consumer Law by misleading consumers about its ability to quickly and easily help users find the best deals or the cheapest rates for hotels.

The court found that Trivago's algorithm placed significant emphasis on which online hotel booking sites paid the highest cost-per-click fees, rather than prioritising the lowest prices for consumers. The ACCC also provided an example where a hotel room was listed as costing AUD 299, but cheaper options were available if the consumer clicked the "More deals" button³⁴¹.

Observations in Malaysia: According to selected hotels interviewed for the study, Malaysians are increasingly relying on metasearch engines to search for hotels. As of 2023, Rakuten Insights reports that when it comes to online bookings (excluding direct website bookings), Malaysians use both OTAs and metasearch engines³⁴². The preferred metasearch engines include Trivago, Expedia, and Skyscanner. This trend has led to the growing influence of metasearch engines, which has the ability to direct customers to selected OTAs and hotels with greater financial resources.

³⁴⁰ Chrome Web Store (2024). Restore Google Search Maps integration. <https://chromewebstore.google.com/detail/restore-google-search-map/hjddgjkkokbapkhocdbaogilmfbdiclh>

³⁴¹ ACCC (2018). ACCC takes action against Trivago over hotel price advertisements. <https://www.accc.gov.au/media-release/accc-takes-action-against-trivago-over-hotel-price-advertisements>

³⁴² Rakuten Insight (via Statista) (2023). Most popular online travel agencies among consumers in Malaysia as of June 2023. <https://www.statista.com/statistics/1200922/malaysia-most-used-online-travel-agencies/>

5.1.13 Recommendations

This section is divided into two sections:

- **Targeted recommendations** that are specific to individual sub-sectors
- **General recommendations** that apply across all sub-sectors to address broader systemic issues

It is important to emphasise that these recommendations are presented solely for consideration during the market review stage. Prior to any implementation, a comprehensive assessment should be undertaken, grounded in relevant theories of harm, and with careful evaluation of potential impacts on innovation, competition, and investment.

This approach will help ensure that any policy responses are evidence-based, effectively address the concerns identified, and preserve the flexibility and dynamism essential to Malaysia's digital economy and its long-term competitiveness.

On implementation, due to the complex and multifaceted nature of the digital economy, a flexible and adaptive approach is essential. This means taking into account the cross-cutting characteristics of the digital sub-sectors involved, as well as the existing mandates of various ministries and government agencies.

To support smooth and coordinated execution, the proposed central digital economy body (see general recommendation 1) should take the lead. The central body will also play a key role in ensuring alignment across stakeholders without imposing additional governance burdens to various ministries and government agencies.

5.1.13.1 Targeted recommendations

Three targeted recommendations are proposed to address the competition, regulatory and market issues identified specifically within the OTA sub-sector.

1. Investigation action on price parity clause by MyCC

Linkage to issue	• Enforcement of price parity in agreements between OTAs and hotels
Description	• MyCC explicitly reserves the right to investigate and take enforcement action against the use of price parity clauses (both wide and narrow) in agreements between OTAs and hotels, should such provisions be deemed to restrict competition under the Competition Act 2010.
Government stakeholders to be involved	• MOTAC • MyCC
Time horizon	• Short-term
Expected outcomes	• Greater pricing flexibility for hotels, especially small and independent operators. • Enhanced competition between OTAs and direct hotel channels, potentially leading to lower prices for consumers.
Case study	EU (France) ³⁴³ : The French Law for Growth, Activity and Equal Economic Opportunities (2015) formally prohibits all Most Favoured Nation (MFN) clauses in hotel and OTA contracts (both wide and narrow).

³⁴³ Antitrust Alliance (2023). Most-Favoured-Nation (MFN) clause in France. <https://www.antitrust-alliance.org/wp-content/uploads/2023/08/France-MFN-Clause-Map-2023.pdf>

EU (Italy)³⁴⁴: Amended Competition Law (2017) Article 1 (166) to ban price parity clauses imposed on hotels by travel agents.

Japan³⁴⁵ : OTAs (Rakuten, Expedia and Booking.com) adhere to commitment plans to the JFTC which excluded narrow parity clauses, after initial investigation for alleged anti-competitive parity clauses.

³⁴⁴ Osborne Clarke (2017). Hotel price parity clauses in Italy. <https://www.osborneclarke.com/insights/hotel-price-parity-clauses-in-italy>

³⁴⁵ Lexology (2023). Spotlight: restrictive agreements and dominance in Japan. <https://www.lexology.com/library/detail.aspx?g=ed6bc6bc-a67c-4287-97f0-187c3215394d>

2. Enhance operational transparency in OTAs

Linkage to issue	• Enforcement of price parity in agreements between OTAs and hotels • Impact of commission rates on platform visibility • Dominance of metasearch engines • Regulatory framework gaps • Operational challenges from OTA practices • Drip-pricing
Description	• Amend existing Tourism Industry Act 1992 (already ongoing) to introduce new requirements for OTAs, with focus on: ○ Platform responsibilities and governance ○ Fairness and transparency ○ Quality assurance ○ Consumer protection ○ Dispute mechanism
Government stakeholders to be involved	• MOTAC • MyCC
Time horizon	• Medium-term
Expected outcomes	• More transparent platform ranking and commission practices • Clearer consumer choice in metasearch and OTA listings • Improved dispute resolution and platform accountability
Case study	Indonesia ³⁴⁶ : The Ministry of Trade Regulation No. 31/2023 redefines e-commerce models to explicitly include marketplace operators (incl. OTAs) and imposes

³⁴⁶ Kompas (2023). Minister of Trade Regulation No. 31/2023 establishes 6 online trading business models. <https://www.kompas.id/artikel/en-permendag-no-312023-mengakui-6-model-bisnis>

operational standards for mandatory platform registration/licensing, merchant (hotel/tour provider) verification, transparent listing requirements and obligation to monitor and remove non-compliant listing.

Philippines³⁴⁷: The Internet Transactions Act 2023 & 2024 IRR establishes comprehensive operational transparency mandates for OTAs as platforms must register and appear in a public online business registry, disclose listing details, participate in mandated internal dispute resolution processes, and are subject to DTI enforcement actions.

³⁴⁷ Legacy Senate Philippines (2025). Republic Act No. 11967 – Internet Transactions Act of 2023 (Official Gazette). https://legacy.senate.gov.ph/republic_acts/ra%2011967.pdf

3. Strengthen legal framework for mandatory registration and operation of STRAs

Linkage to issue	No centralised regulation for STRAs
Description	- Creation of legal framework for the mandatory registration and operation of STRA providers. - Applies to all STRAs operating in marketplaces (e.g., Agoda). - Leverages the existing infrastructure of SSM for registration, capitalising on its established processes and integration with tax authorities such as LHDN. - Information to be collected include: - Owner/operator details - Business details - Type of goods/services sold - Tax registration details - Registered entities will be governed under the provisions of the Tourism Industry Act 1992, ensuring adherence to existing legal obligations related to e-commerce operations and tourism services.
Government stakeholders to be involved	- SSM - LHDN - MOTAC
Time horizon	Long-term
Expected outcomes	Ensure STRAs and individual online sellers operate legally, meet safety and quality standards, contribute to tax revenue, and protect consumer interests.
Case study	E.U.³⁴⁸: Regulation (EU) 2024/1028 introduces an EU-wide framework for data collection and sharing relating to

³⁴⁸ EU (2024). Regulation (EU) 2024/1028 of the European Parliament and of the Council of 11 April 2024 on data collection and sharing relating to short-term accommodation

short-term accommodation rentals, including mandatory host registration, issuance of unique registration numbers, platform verification obligations, standardised data-sharing with authorities, and enforcement mechanisms for delisting non-compliant properties. EU-member countries such as Spain, France, Portugal, Germany, and the Netherlands have committed to this EU framework.

France³⁴⁹: Royal Decree 1312/2024, establishes a Single Rental Registry and one-stop digital portal, mandating hosts to obtain unique ID and OTA platforms must verify IDs before approving listings.

rental services and amending Regulation (EU) 2018/1724. <https://eur-lex.europa.eu/eli/reg/2024/1028/oj/eng>

³⁴⁹ La Voz de Ibiza (2025). BOE publishes the decree approving the new single registry of short-term rentals: how it works and what Airbnb says. <https://lavozdeibiza.com/en/current-news/boe-publishes-the-decree-approving-the-new-single-registry-of-short-term-rentals-how-it-works-and-what-airbnb-says/>

5.1.13.2 General recommendations

General recommendations are proposed to complement the targeted recommendations and ensure a more coherent regulatory approach. Specifically, they are aimed at:

- **Addressing common structural issues across the sub-sectors:** Key competition concerns like opaque platform operations, data access asymmetries and market concentration are found across all four sub-sectors. As such, cross-cutting recommendations are needed to tackle these underlying challenges in a consistent and coordinated manner.
- **Preventing policy fragmentation:** While tailored, sector-specific recommendations are important for addressing unique or targeted challenges, they must be supported by an overarching regulatory framework to ensure coherence. General recommendations can serve as a unifying foundation, helping to align regulatory approaches across sub-sectors and ensuring that actions in one area reinforce, rather than contradict those in another.
- **Building internal capacity:** Effective regulation of the digital economy requires strong regulatory capacity, both in terms of technical expertise and coordination. Many of the issues raised demand collaboration across ministries, agencies, and even regional counterparts. General recommendations in this area focus on supporting capacity building, facilitating inter-agency coordination, and promoting knowledge sharing to strengthen oversight and regulatory responsiveness across the entire digital ecosystem.

Six general recommendations are proposed:

1. Appoint a central digital economy taskforce

Description	• Creation of permanent portfolio within an existing government agency or establish a specialised taskforce. • Taskforce to be made up of different Ministries and agencies, including: ◦ MyCC: Enforcement of competition law in digital markets, including extraterritorial conduct. ◦ JPDP: Oversight of personal data processing and cross-border data flows. ◦ MCMC: Regulation of digital platforms, content governance, and network services. ◦ MOTAC: Oversight of digital intermediaries in tourism, licensing of tourism operators. ◦ BNM: Regulation of digital payments, e-wallets, and financial technology. ◦ MOF: Fiscal policy, digital taxation, and cross-border digital trade. ◦ KPDN: E-commerce, consumer protections, digital marketplace conduct. ◦ Others: MITI, SME Corp, MDEC, LHDN. • Key responsibilities include: ◦ Oversee legislative coherence, and managing inter-agency regulatory alignment. ◦ Regularly assess regulatory gaps across areas such as competition, data protection, platform governance in the context of digital economy. ◦ Coordinate overlapping jurisdictions between agencies (e.g., MyCC, MCMC) ◦ Conduct periodic legal reviews (e.g., every 3 to 5 years), enabling timely updates to legislation and policies in response to evolving technologies and market dynamics.

- Establish a digital platform ombudsman to support users and businesses by providing an independent point of contact (see below for more details)
- Develop a central digital economy information hub (see below for more details)
- Develop comprehensive guideline on the do's and don'ts for digital platform based on various benchmark countries; violation of guideline, especially on competition-related matters, can lead to potential investigation from MyCC (see below for more details)
- Develop and implement a regional-level digital economy legislative framework (see below for recommended framework).

Establish a digital platform ombudsman

- Established a neutral and accessible party, acting as an intermediary between consumers, businesses, and digital platform operators.
- Ombudsman may be created as a standalone institution, or hosted within existing agencies such as the MyCC or the Ministry of Digital.
- Serves as an alternative channel for redress, allowing businesses and consumers to seek assistance after all internal (within platforms) or ministry-level complaint mechanisms have been exhausted.
- Receives and addresses complaints related to digital platform practices, especially in areas involving unfair treatment, lack of transparency, or platform conduct.
- Provides dispute resolution services with methods such as mediation and conciliation, promoting faster outcomes.
- May be empowered to conduct market studies and issue observations on emerging trends, behaviours, or systemic issues in the digital market.

Central digital economy information hub

- Develop a one-stop central platform that consolidates key digital economy sub-sectors information, including but not limited to:
 - **Regulatory:** Up-to-date guidelines, licensing requirements, policy frameworks, and compliance obligations from relevant regulators
 - **Market:** Key statistics
 - **Consumer protection resources:** Explanations of consumer rights, platform obligations, dispute resolution procedures, and educational materials
 - **Access to official complaint channels:** Direct links and submission portals for lodging complaints to the relevant authorities, with guidance on which agency to approach based on the nature of the issue (e.g., content complaints to MCMC, anti-competitive behavior to MyCC, consumer disputes to KPND)
- Platform to serve as an information hub for businesses, consumers, and other relevant stakeholders

Develop comprehensive digital economy guideline:

- Establish a clear and sector-specific set of guidelines for key digital platforms operating
- Guidelines to provide clarity and predictability to digital platform operators, as well as encourage self-regulation
- Guidelines can serve as a precursor to a unified digital economy legislation, with key areas being:
 - **Platform definition**
 - **Fair business conduct rules:** Fair access, support equal treatment, encourage responsible use of data, allow flexible commercial terms
 - **User rights:** Provide users with freedom to choose and personalise, offer clear, user-friendly

policies, enable informed consent and control over personal data, ensure transparent pricing

- **Access and transparency requirements:** Transparency in pricing, fees and commissions, maintain fair and open processes
- Non-compliance with the guidelines may lead to regulatory review/action by the MyCC

Regional digital economy legislative framework:

- Establish a comprehensive and integrated regional (ASEAN)-level legal framework to govern the digital economy.
- Framework to apply to all digital economy players operating in ASEAN, regardless of physical presence, to ensure consistent and fair regulation.
- Framework to cover the key areas of:
 - **Platform definition:** Criteria that determine whether a digital platform falls within the scope of the regulatory framework.
 - **Fair business conduct rules:** Defined obligations and prohibited practices for regulated platforms, including self-preferencing, data access restrictions, user lock-in, limited user choice, lack of interoperability with third-party services,, restrictions on third-party competition and other anti-competitive behaviours.
 - **User rights:** Consumers' freedom of choice and information, including access to platform advertising processes, data portability, and the freedom to uninstall apps or change default settings.
 - **Access and transparency requirements:** Mandate that platforms provide clear and accessible information and hardware, such as ranking systems, fees, recommendation algorithms, infrastructure and data usage practices.
 - **Compliance and enforcement mechanisms:** Define the regulator's responsibilities, including

	powers to conduct audits, monitor potential violations, and enforce compliance through appropriate legal measures. • Framework to be anchored/aligned with existing legislations (e.g., Competition Act, PDPA, CMA, Companies Act). • Leverage MCMC's current licensing framework for social media and internet messaging services, the forthcoming amendments to the Electronic Commerce Act 2006, and the PDPA's Automated Decision Making and Profiling Guidelines as foundational elements for the proposed legislative framework.
Government stakeholders to be involved	• Ministry of Digital • MyCC • JPDP • MCMC • MOTAC • BNM • MOF • KPDN • MyDIGITAL • MITI • SME Corp • MDEC • LHDN
Time horizon	• Medium to long-term (2-5 years)
Expected outcomes	• Reduced regulatory fragmentation and jurisdictional confusion • Better alignment between digital economy strategy and regulation

Case study

U.K.³⁵⁰: The Digital Regulation Cooperation Forum (DRCF) was established in 2020 as a collaborative body bringing together the Information Commissioner's Office (ICO), the Competition and Markets Authority (CMA), Ofcom, and the Financial Conduct Authority (FCA). The DRCF was created to address the increasingly complex and cross-cutting nature of digital platform regulation, where issues of competition, data protection, online safety, and financial services oversight often intersect.

The forum's mandate includes aligning regulatory approaches, reducing duplication, and ensuring consistent oversight of digital platforms and services. It also leads joint projects and initiatives on emerging issues such as algorithmic auditing, online safety, and AI governance, while conducting horizon scanning to anticipate risks from new technologies.

By fostering regulatory coherence, the DRCF aims to prevent regulatory gaps or overlaps that could undermine enforcement or create uncertainty for market participants.

Japan³⁵¹: In 2020, Japan enacted the Act on Improving Transparency and Fairness of Specified Digital Platforms (TFDPA), establishing a co-regulatory framework for large online platform operators such as app stores and e-commerce marketplaces. The Act requires designated providers to disclose their terms and conditions, develop procedures and systems to ensure fairness (including complaint and dispute handling), and submit annual reports on their business operations and self-evaluation to the Ministry of Economy, Trade and Industry (METI).

³⁵⁰ DRCF (2025). About the DRCF. <https://www.drcf.org.uk/about-us>

³⁵¹ Ministry of Justice Japan (2020). Act on Improving Transparency and Fairness of Digital Platforms (Act No. 38 of 2020). <https://www.japaneselawtranslation.go.jp/ja/laws/view/4532/en>

Under this model, METI reviews and publishes evaluations of the annual reports, combining platform self-assessment with government oversight. By mandating disclosure and fair procedures, the Act seeks to reduce information asymmetry between dominant platforms and smaller businesses, while preventing unfair practices such as sudden changes to terms, opaque ranking mechanisms, or discriminatory treatment. The framework reflects Japan's approach of balancing innovation with accountability, ensuring that digital platform markets remain open, transparent, and competitive.

2. Consolidate competition oversight under a single authority

Description	• Clarify and delineate the regulatory boundaries between MyCC (competition regulation) and other sectoral regulators with competition mandates, in line with the anticipated consolidation of competition oversight under RMK-13 as outlined in Strategy A6.2: Strengthening the Competitive Ecosystem. • This includes coordination between MyCC, Malaysian Communications and Multimedia Commission (MCMC), Malaysian Aviation Commission (MAVCOM), and the Energy Commission (EC). The effort will require amendments to the Competition Act 2010 to incorporate existing competition-related provisions currently found in: ◦ the Communications and Multimedia Act 1998 and Postal Services Act 2012 (under MCMC), ◦ the Malaysian Aviation Commission Act 2015 (under MAVCOM), and ◦ the Energy Commission Act 2001 (under the EC). • These reforms will help eliminate jurisdictional overlaps and provide clearer regulatory authority, improving enforcement and addressing competition issues more effectively. • In the short-term, potential establishment of a structured coordination framework among relevant commissions (i.e., MyCC, MCMC, MAVCOM and EC) to facilitate information sharing and joint market intelligence.
Government stakeholders to be involved	• MyCC • MCMC • MAVCOM • EC
Time horizon	• Medium to long-term (2-5 years)

Expected outcomes	• Clarifies institutional roles and reduces regulatory overlaps in competition enforcement. • Enhances coordination and information-sharing among sectoral regulators.

3. Strengthen government's revenue-generation mechanisms

Description	- Enhance existing RMCD efforts in requiring foreign digital service providers to report Malaysia-sourced revenue (under the Service Tax on Digital Services – SToDS regime), verified using geo-location tools such as IP addresses, billing information, and user registration data. - This can be complemented with the potential introduction of new legal/enforcement powers to block non-compliant digital platforms that fail to register or remit tax. - Strengthen Malaysia's participation in the OECD BEPS Pillar One regime by introducing a new nexus rule that allows for the taxation of foreign digital businesses that operate outside Malaysia but serve Malaysian customers. Rule could apply only to large firms, with the threshold to be benchmarked against (as a reference point) existing Application Service Provider (ASP) licensing criteria set by MCMC.
Government stakeholders to be involved	- MOF - RMCD - LHDN - MCMC - Ministry of Digital - BNM
Time horizon	Medium-term (2-3 years)
Expected outcomes	- Broader tax base capturing user-driven digital revenue - Reduced compliance burden on local businesses - Higher voluntary compliance by global digital players

4. Strengthen businesses and consumers' awareness on data privacy and protection

Description	- Enhance awareness and education to empower businesses and consumers in better protecting their personal data and making informed choices in the digital economy. - This can be done in collaboration with key players and civil societies to promote greater data protection practices and strengthen accountability among platforms. - Potential programmes include digital literacy campaigns, development of educational materials, interactive online modules.
Government stakeholders to be involved	- JPDP - MDEC - Ministry of Digital - KPDN
Time horizon	Short-term (1 year)
Expected outcomes	- Increased businesses and public awareness of personal data rights, leading to more informed digital behaviour. - Reduced risk of data misuse and abuse by digital platforms due to better consumer scrutiny.
Case study	Singapore³⁵² : In 2023, Singapore's Infocomm Media Development Authority (IMDA) partnered with Google to launch PET x Privacy, a joint initiative that integrates Google's Privacy Sandbox solutions into IMDA's Privacy-Enhancing Technologies (PET) Sandbox. The PET Sandbox provides a secure test environment for businesses to explore new technologies that enable

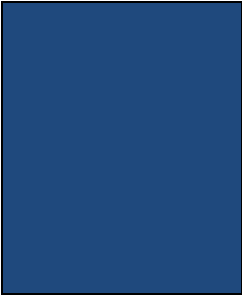
³⁵² Google (2023). IMDA-Google: PET x Privacy Sandbox. https://services.google.com/fh/files/events/imda_google_pet_x_privacy_sandbox_2023.pdf

responsible data use and sharing while safeguarding consumer privacy.

Through this initiative, businesses in Singapore can trial privacy-preserving advertising and data solutions that aim to reduce reliance on third-party cookies, improve transparency, and strengthen user privacy. The collaboration reflects Singapore's co-regulatory approach of working with major technology players to balance innovation, privacy protection, and competition in the digital economy. By enabling early trials, IMDA helps firms adapt to global shifts in data governance and ensures that local businesses are not disadvantaged as dominant platforms roll out privacy-focused technologies that may reshape digital advertising markets.

5. Capacity building across entire public sector delivery

Description	• Entire public service to enhance in-house capabilities and understanding in AI, data science, analytics and algorithmic auditing • Assignment of specific sub-sector portfolio to relevant Ministries • Key ministries/agencies relevant to the four sub-sectors should also: ◦ Proactively track emerging trends, technological shifts, and issues affecting businesses and users, including market access barriers, algorithmic bias, and platform constraints ◦ Conduct frequent engagement with relevant key players to understand practices and build connections ◦ Platform regulation and policy enforcement ◦ Digital monitoring to detect changes in platform practices and identify potentially unfair or discriminatory behaviours ◦ Serve as a central liaison for coordinating with other ministries and agencies in addressing identified issues ◦ Act as mediator in fostering greater dialogue between businesses and key platforms ◦ Proactively publish public reports on the status, challenges, and developments within the sub-sectors
Government stakeholders to be involved	• Ministry of Digital • KPDN • MOTAC • MyCC
Time horizon	• Medium-term (2-3 years)
Expected outcomes	• Strengthens government capabilities in AI, data, and digital platform oversight.

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- Enhances proactive monitoring and policy responsiveness across key digital sub-sectors.
 - Improves coordination, transparency, and stakeholder engagement with platforms and businesses.

6. Enable the growth of local digital economy champions through a supportive ecosystem

Description	• Continuous development and promotion of more local digital economy champions (existing MDEC programmes, e.g., Malaysia Digital Acceleration Grant (MDAG), Digital Content Grant (DCG), 4IR Catalyst Grant – (4ICG)) • Support through provision of financial incentives such as grants, subsidies, or low-interest loans • Provide capacity-building programmes, technical assistance, and marketing support to enhance digital capabilities and market reach, alongside encouraging mergers, consolidations, or joint ventures among Malaysia-founded platforms to compete more effectively with large foreign digital players.
Government stakeholders to be involved	• Ministry of Digital • MDEC • MOTAC • MOF • BNM • MITI
Time horizon	• Medium-term (2-3 years)
Expected outcomes	• Increases the competitiveness and scalability of local digital platforms. • Encourages consolidation and collaboration to strengthen Malaysia's digital ecosystem.



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