



BACKGROUND OF THE MARKET REVIEW AND SUBMISSION GUIDELINES
DRAFT FINAL REPORT OF MARKET REVIEW ON THE DIGITAL ECONOMY
ECOSYSTEM UNDER THE COMPETITION ACT 2010

1. LEGAL FRAMEWORK OF THE MARKET REVIEW UNDER THE COMPETITION ACT 2010

- (i) The Malaysia Competition Commission (MyCC) is an independent body enforcing the Competition Act 2010 (Act 712). The Act aims to promote the competition process, thereby protecting the interests of consumers.
- (ii) Section 11 of the Act 712 empowers MyCC to conduct market reviews to understand the market structure and business conduct, and to determine whether any features, alone or in combination, prevent, restrict or distort competition in the market.

2. OVERVIEW OF DIGITAL ECONOMY IN MALAYSIA

- (i) Malaysia's digital economy sector has grown rapidly in recent years, creating numerous opportunities through strategic initiatives and technological investments. However, this growth may also introduce potential competition issues that must be addressed to ensure a balanced and thriving digital marketplace.
- (ii) Recognising the importance of Malaysia's digital economy sector, MyCC is conducting a market review to foster the sector's sustainability and efficiency within a competitive framework.

- (iii) This study will help MyCC understand market dynamics, identify anti-competitive behaviours, and develop strategies to enhance sector competitiveness. Ultimately, these efforts aim to reduce business costs and address cost of living concerns among Malaysians.

3. PROBLEM STATEMENT

- (i) Managing Malaysia's digital economy with a single framework is challenging due to its diverse sectors, each needing specific approaches. MyCC's initial findings have identified several concerns requiring further investigation:
 - (a) The rapid evolution of Malaysia's digital economy creates challenges for government oversight and regulation.
 - (b) There is insufficient regulatory definition and competitive data for the sector.
 - (c) Limited transparency throughout the digital economy's value chain creates difficulties for users navigating the ecosystem and hampers the government's ability to assess competitive conditions.
 - (d) The volume of complaints about digital economy issues signals the need for timely government intervention.
- (ii) Given the above issues, it is crucial to evaluate the existing market practices and regulations in the industry that may be hindering competition and imposing unnecessary regulatory burdens, thus indirectly affecting the consumers at the end of the supply chain.

4. OBJECTIVES

The specific objectives of the study are outlined below:

- (i) To determine the market structure, supply chain, and profile of industry players across the digital economy and its sub-sectors, from upstream to downstream operations;

- (ii) To identify potential anti-competitive behaviours and market practices within the digital economy and its sub-sectors;
- (iii) To evaluate how existing regulations and policies may distort the market and assess the need for government intervention to address anti-competitive conduct; and
- (iv) To recommend improvements for government agencies and regulators in the digital economy to minimise the actual and/or potential restrictive effects of regulations on competition.

5. SCOPE OF MARKET REVIEW

This study aims to understand the market structure and supply chain of Malaysia's digital economy, while identifying potential anti-competitive practices. The market review will focus on the following subsectors and their definitions:

- (i) **Mobile operating and payment system**
 - (a) This study will focus exclusively on the following:
 - **Mobile operating system (OS)** - software platforms that manage core functions, interface with hardware, and enable application execution.
 - **Integrated payment system** - payment mechanisms embedded within mobile applications that use APIs, to enable seamless in-app transactions, for digital goods and services.
 - (b) Examines potential anti-competitive practices including the self-preferencing, limitations on app developers and restrictive app store payment options.
- (ii) **E-commerce (Retail marketplaces)**
 - (a) Focus on business-to-consumer (B2C) marketplace platforms that enable online transactions between multiple merchants and buyers. These platforms serve as intermediaries, facilitating the sale of goods

over the internet. Service-related platforms (such as transportation and food delivery) are excluded from this scope.

- (b) Examines potential anti-competitive practices including masking of delivery options and self-preferencing behaviour using data.

(iii) **Digital advertising services**

- (a) Digital advertising marketplaces and platforms that connect advertisers and publishers, enabling them to trade ad inventory displayed across search engines, social media, and other digital channels.
- (b) Examines potential competition concerns arising from the market power through vertical integration and utilisation of data by incumbent players, limited access to selected ad inventory, lack of transparency in ad mechanisms, and the implications of removing third-party tracking.

(iv) **Online travel agencies (OTA)**

- (a) Web and mobile-based platforms that allow consumers to book travel services, with focus being only on accommodation booking platforms.
- (b) Examines potential anti-competitive practices through the enforcement of price parity clauses between OTAs and hotels, impact of commission rates and dominance of meta search engines.

(v) **Data privacy and protection (cross-cutting theme)**

- (a) This study examines two (2) key data-related areas:
 - **Data privacy** - the rights of internet users to control their personal information sharing and usage in the digital marketplace.
 - **Data protection** - the mechanisms and practices companies use to prevent misuse or unauthorised access of personal and sensitive information they collect, store, and process.
- (b) Examine the data practise, transparency, control and compliance across all sub-sectors mentioned above.

6. EXPECTED OUTCOMES

The expected outcomes of the market review are as follows:

- (i) Identifying potential anti-competitive behaviour and evaluating the MyCC's enforcement tools to address emerging challenges in the digital economy;
- (ii) Supporting the Government through a comprehensive study of Malaysia's digital economy including supply chain analysis, market assessment, and future growth opportunities;
- (iii) Assisting the Government by comprehending policy, market, and competition issues in the digital economy and offering more comprehensive solutions to overcome the current challenges faced by the digital economy; and
- (iv) Providing a strategic roadmap for the Government and industry players to strengthen Malaysia's digital economy and align it with the international market, thereby increasing its contribution to the country's gross domestic product (GDP).

7. DISCLAIMERS

MyCC considered five (5) key factors in determining the scope and drawing conclusions from the market review:

- (i) The active efforts and initiatives undertaken by international competition authorities to examine and assess market practices by digital platforms;
- (ii) The high volume of anti-competitive cases reported globally, particularly within selected sub-sectors; and
- (iii) While matters pertaining to data privacy fall outside the direct jurisdiction of MyCC, the collection, processing and utilisation of data by major digital

platforms may give rise to conduct that prevents, restricts or distorts competition within the meaning of section 4 and section 10 of the Act 712.

In this context, MyCC respectfully acknowledges its role in examining the data-related practices of these platforms where such practices may potentially impact competitive dynamics in the market. This includes thoughtful consideration of practices that could involve differential access to services, potential exclusionary effects or strategic use of data advantages in ways that might influence market competition.

- (iv) The market definitions applied to each sub-sector and have been deliberately narrowed to enable focused analysis of key digital segments within Malaysia's economy. MyCC retains the discretion to prioritise specific areas within each sector based on its own considerations.
- (v) The proposed recommendations are intended for consideration by relevant regulators and do not impose any binding obligation for immediate action.

With a spirit of collaboration, MyCC continues to prioritise open dialogue and constructive engagement with all stakeholders. We value your insights and participation as we work together to enhance Malaysia's capacity to navigate the complexities of the digital landscape. Through these collaborative efforts, we aim to create an environment that balances innovation with fair competition, ultimately benefiting businesses and consumers alike.

8. FOCUS OF DRAFT FINAL REPORT

- (i) Assessment of key challenges emerging from competition dynamics, market structures, and regulatory frameworks, guided by observed patterns in consumer behaviour and platform conduct;
- (ii) Deep dive into innovation trends and evolving business models, alongside a review of existing regulatory instruments; and
- (iii) Development of targeted and cross-sectoral preliminary recommendations for relevant ministries or government agencies to address competition concerns, structural market challenges and regulatory fragmentation.

9. REQUESTING FEEDBACK ON THE KEY AREAS IN THE DRAFT FINAL REPORT

- (i) These preliminary recommendations are structured into two (2) categories of intervention by relevant regulators:
 - (a) General recommendations that is broad-based proposals applicable across all digital sub-sectors; and
 - (b) Targeted recommendations addressing specific issues within individual sub-sectors.
- (i) Additional relevant recommendations (if any);
 - (a) Recommendations proposed may be supported with established best practices, whether drawn from domestic enforcement experience or international regulatory benchmarks.
 - (b) Each recommendation should be backed by a clear rationale, showing how it responds to the specific issues flagged in the market review, whether those relate to competition concerns, market inefficiencies or regulatory shortcomings.
- (ii) MyCC welcomes stakeholders to provide any additional information not mentioned in the report to ensure comprehensive findings.

10. SUBMISSION GUIDELINE

- (i) MyCC encourages written submissions in response to the Draft Final Report from the following market participants:
 - (a) Consumers;
 - (b) Regulators;
 - (c) Market participants:
 - **Mobile operating and payment system:** Operating software providers, device manufacturers, apps developers, any other relevant players;
 - **E-commerce (marketplace):** E-commerce platform, merchants, logistics players, any other relevant players;
 - **Digital advertising services:** Advertisers, data service providers/data brokers, ad agencies, publishers, any other relevant players; and
 - **Online travel agency (OTA):** Hotel properties, wholesalers, OTA, traditional travel agencies, and any other relevant players.
 - (d) Other interested stakeholders.
- (ii) Written submissions should be provided from **26 August 2025 until 14 September 2025** through the website or emailed directly to ced-digitalmr@mycc.gov.my.
- (iii) Submissions are encouraged to be substantiated with relevant evidence including data to support the views presented and strengthen the credibility of the input provided.

11. WAY FORWARD

- (i) The study will be further developed for the Final Report, which is expected to be completed by end of 2025. The report will encompass the following:
 - (a) Enhancement of the market review's structure; and
 - (b) Refinement of proposed recommendations to relevant ministries or government agencies, incorporating valuable stakeholder perspectives to ensure they appropriately address identified market challenges, competition concerns and regulatory priorities.
- (ii) Finally, in accordance with section 12 of Act 712, MyCC will publish a report containing the findings and recommendations when the market review is complete, making it available to the public.