



**BACKGROUND AND OVERVIEW OF THE STUDY**  
**INTERIM 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 (the 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 the Commission 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 the digital economy sector in Malaysia, MyCC is committed to fostering the sector's sustainability and efficiency within a competitive framework by conducting a market review in this sector. 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 Malaysians' cost of living concerns.

### **3. PROBLEM STATEMENT**

- (i) Addressing the complexities of Malaysia's digital economy within a single framework is challenging due to the diverse range of sectors, each requiring tailored interventions. Initial findings by MyCC have identified several areas of concern that need further scrutiny. These issues are detailed below:
  - (a) Malaysia's digital economy industry is rapidly evolving, presenting a challenge for government oversight and regulation.
  - (b) There is a lack of definitive regulations and specific data pertaining to the degree of competition.
  - (c) The lack of transparency across the digital economy's value chain presents a dual challenge, as it not only creates difficulties for users navigating the digital ecosystem, but also impedes the government's ability to properly assess competitive condition.
  - (d) The numerous complaints about digital economy issues indicate that prompt government intervention is needed to address these challenges.
- (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. SCOPE OF MARKET REVIEW

This study aims to understand the market structure and supply chain of Malaysia digital economy, while identifying potential anti-competitive practices. The market review will focus on the following sub-sectors 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 imposition of high commission rates, restricted access to device functionalities and limited app store payment options.

(ii) **E-commerce (Marketplace)**

(a) Focus on business-to-consumer (B2C) marketplace platforms that enable online transactions between 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 preferential treatment of certain sellers, self-preferencing behaviour, lack of transparency in product rankings, and excessive operational requirements for merchants.

(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, lack of transparency in ad mechanism, utilisation of data by incumbent players, and the implications of removing third-party tracking.
  
- (iv) **Online travel agencies (OTAs)**
  - (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, imposition of high commission rates, and dominance of meta search engines.
  
- (v) **Data privacy and protection (Discussed in all sub-sectors)**
  - (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 usage, transparency, control and compliance across all sub-sectors mentioned above.

## 5. OBJECTIVE

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 effect of regulations on competition.

## **6. EXPECTED OUTCOME**

The expected outcomes of the market review are as follows:

- (i) Identifying potential anti-competitive behaviour and evaluate 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 GDP.

## 7. REQUESTING FEEDBACK ON THE KEY AREAS IN THE INTERIM REPORT

- (i) **Digital Economy in Malaysia**
  - (a) Discussion of regulations highlighted, particularly for the studied sub-sectors; and
  - (b) Validation of identified regulatory issues.
  
- (ii) **Sub-sector Deep Dive**
  - (a) Supply chain and interaction between players;
  - (b) Key players and their market shares;
  - (c) Market practices and identified issues; and
  - (d) Competition assessment and identified issues.
  
- (iii) The MyCC welcomes stakeholders to provide any additional information not mentioned in the report to ensure comprehensive findings.

## 8. SUBMISSION GUIDELINES

- (i) The MyCC welcomes written submissions in response to the interim report from the following market participants:
  - (a) Consumers;
  - (b) Regulators;
  - (c) Market participants:
    - **Mobile Operating and Payment Systems:** Operating software providers, device manufacturers, app developers, and other relevant players;
    - **E-commerce (marketplace):** E-commerce platforms, merchants, logistics players, and other relevant players;
    - **Digital Advertising Services:** Advertisers, data service providers/data brokers, ad agencies, publishers, and any other relevant players; and

- **Online travel agency (OTA):** Hotel properties, wholesalers, OTAs, traditional travel agencies, and any other relevant players.
- (ii) Written submissions should be provided from **4 March 2025 until 31 March 2025** or emailed directly to [ced-digitalmr@mycc.gov.my](mailto:ced-digitalmr@mycc.gov.my).
- (iii) Confidentiality:
  - (a) Pursuant to section 21 (b) of Act 712, the disclosure of the information is necessary for the performance of the functions or powers of MyCC;
  - (b) Any confidential information should be highlighted in light grey to mark it as "confidential," or separate versions of confidential and non-confidential feedback should be forwarded if necessary.

## 9. WAY FORWARD

- (i) The draft final report is expected to be completed by Q3 2025. This report will include:
  - (a) Analysis of consumer behaviours and innovation trends across sub-sectors;
  - (b) Comprehensive review of government regulations and policies affecting the digital economy;
  - (c) Assessment of key market dynamics and competition issues; and
  - (d) Strategic recommendations to address market issues, challenges, competition concerns and regulatory gaps.
- (ii) The MyCC will conduct a public consultation on the draft final report to gather stakeholder feedback, particularly on the proposed recommendations.
- (iii) The final report will be completed by the end of 2025. Both a non-confidential full report and a public summary will be published for public reference.