Please note that, although every effort has been made to ensure this translation is accurate and consistent, it is for informational purposes only. In case of any dispute or inconsistencies, the Dutch version is authentic.

Summary

At the request of the Dutch Ministry of Finance, the Netherlands Authority for Consumers and Markets (ACM) carried out a market study into the role of major technology firms ("Big Techs") in the Dutch payment system. In this study, ACM looked at the following Big Techs: Apple, Amazon, Ant Group, Facebook, Google, and Tencent.

This report offers a description of the current positions of these Big Techs on the Dutch payment market and, more specifically, on the submarkets for offline payments, online payments, and peer-to-peer payments. Among other topics, the report explores the question of what the Big Techs' considerations are for entering the Dutch payment market, and what their strategies or plans are. In addition, this report examines possible opportunities and risks for competition, should the positions of Big Techs on the payment market become stronger. Finally, the report examines the question to what extent the current legal framework and regulatory toolbox are sufficient for mitigating any anticompetitive concerns, and for keeping the payment market open.

Positions of Big Techs on Dutch payment market are small, but on the rise

ACM's study reveals that, right now, Big Techs still have a small presence on the Dutch payment market, but one that is growing. So far, Big Techs have offered consumers primarily innovative payment solutions, including paying by e-wallet on mobile devices. With regard to offline payments, the introduction of Apple Pay in June 2019 stands out. The percentage of contactless payments using mobile devices is now over 5% of the total number of offline payments. The payments using Apple Pay make up a significant share of that percentage. On a much smaller scale, Ant Group and Tencent also facilitate the acceptance of payments by Dutch stores (online and offline) for Chinese tourists and citizens. All Big Techs in the study currently offer online methods of payment, mostly in collaboration with license holders. None of the Big Techs currently offer methods of payment for peer-to-peer in the Netherlands (see also Table A).

Payment activities of Big Techs to expand

Across the board, the developments in the Netherlands and the rest of Europe lag slightly behind the developments in the rest of the world, where Big Techs are often further ahead in their initiatives on the payment market. Nevertheless, in European countries, including the Netherlands, several Big Techs recently launched collaborations with existing competitors, or strengthened their positions on the European payment market through acquisitions or minority stakes. It is therefore expected that, in the foreseeable future, these developments will continue on the Dutch payment market, and that Big Techs will continue to expand their activities on the Dutch payment market.

Table A. Activities of Big Techs on payment markets and reasons for entry

Big Techs	*Offered in the Netherlands* (NL) *or Outside the Netherlands* (BN)			*Reason(s) for entry*	
	Offline	*Online*	*Peer-to-peer*	*Supporting the ecosystem*	*Direct revenues*
Apple	NL	NL	BN	X	X
Google	NL*	NL	BN	X	
Amazon	BN	NL		X	X
Facebook		NL	BN	X	
Tencent	NL**	NL**	BN**	X	X
AliBaba	NL**	NL**	NL**	X	X

*Only available for credit card payments in banking app of bunq, among other banks.

**Only available to Chinese tourists / citizens.

PSD2 is not a major reason behind the entry of Big Techs

The Big Techs indicate that the introduction of PSD2 is not the reason (or the most important one) for entering the European and Dutch payment markets. Although some Big Techs – such as Google – have licenses for offering payment services under PSD2 in the EU, they often act as technical service providers (which do not require a license), and they work together with current license holders such as banks or payment card schemes in order to offer their payment services.

Expansion of the ecosystem is the main reason for entering the payment market

The Big Techs that have been studied indicate, in general, that they choose offering payment services in order to strengthen their ecosystems, and to make it easier for consumers to stay in the ecosystem. An additional but secondary reason for Big Techs to offer payment services is the generation of direct revenues from these activities (see also Table A).

Acceptance of innovative methods of payments will increase further

As part of this study, ACM asked PwC to conduct a consumer survey relating to their choice for method of payment. The results of the survey reveal that consumers under 40 see the e-wallet as a replacement of more accepted methods of payment such as iDEAL (a widely-used online payment method in the Netherlands). In that context, the survey results suggest that e-wallets that are based on the Near Field Communication (NFC)-chip technology such as Apple Pay are accepted at a faster rate than e-wallets, which are based on QR-codes. This is because consumers value the ease of payment associated with the NFC-chip more. Considering the results in this age category, acceptance among a wider group of consumers can be expected in the medium run.

Big Techs compete and work together with banks

ACM has also asked a number of banks in the Netherlands how they view the entry of Big Techs into the payment market. Banks compete with Big Techs, but also work together with them. For example, several major banks offer Apple Pay, which, in fact, competes with the contactless use of the debit cards that are issued by those same banks. With regard to online payments, Big Techs are, generally

speaking, competitors to payments using iDEAL. For peer-to-peer payments, banks have a strong position with Tikkie (a popular payment system in the Netherlands for peer-to-peer payments), and payment requests in their online banking environments, while Big Techs do not (or not yet) have a peer-to-peer presence in the Netherlands.

Loss of interaction with customers is seen by banks as greatest risk

Banks see Big Techs taking over the interaction with customers as the greatest risk to their own business models. Customer interaction is important because of the information that the bank is able to collect through such interactions, and because of the opportunities to sell payment services and loans together. Interest income from products such as loans and mortgages still remains the most important business model of Dutch banks. On the other hand, banks also see opportunities: the enormous market reach of Big Techs also offers banks (especially new banks) that offer services over the internet opportunities to make their services available to large groups of users sooner.

Potential risks to access for competitor payment services to Big Tech platforms

On the one hand, anticompetitive risks on the payment market may consist of impediments that make it harder for new, innovative competitors such as Big Techs and fintechs to enter the market. For example, entry into the Dutch payment market may be impeded by the fact that Dutch debit-card numbers are composed differently than what is common in the rest of Europe. On the other hand, there is a risk that, although they are currently not dominant on the Dutch payment market, Big Techs leverage the market power that they do have on adjacent markets, and, by doing so, are able to 'tip' the payment market. That is why ACM remains vigilant against possible refusals to grant access to competitor payment services, against the risk that Big Techs give their own payment services preferential treatment on platforms of Big Techs, and against the risk of leveraging market power by bundling products.

Effective risk management calls for strengthening the regulatory toolkit

ACM has assessed to what extent the current legal framework and regulatory toolkit are suitable to address such risks. It has been concluded that competition rules, PSD2, and the IFR, in their current forms, offer various opportunities to step in if these risks materialize. However, there is a concern that the toolkit comes up short in terms of addressing the risks in a sufficiently timely and effective manner in potential 'tipping' markets such as the payment market. We see two policy options for strengthening the current toolkit. These options focus on keeping the markets open to competitors in order to prevent these from 'tipping', after which interventions would be more difficult.

1. *Adjusting PSD2*. Under PSD2, payment institutions must grant access to payment systems on the basis of objective, non-discriminatory, and proportionate criteria in order to create a level playing field for payment service providers so that they are able to compete with each other under the same conditions. This requirement may offer a solution for the risks that occur if Big Techs act as de facto gatekeepers, and deny other payment service providers access to their platforms or give their own products preferential treatment. In practice, Big Techs currently do not often act as payment service providers, but rather as technical service providers, as a result of which they are not subject to this requirement laid down in

PSD2. A realistic policy option is to adjust PSD2 in such a way that payment service providers gain access, under the above-mentioned criteria, to the 'facilitating technology' of Big Techs, if they act as gatekeeper when offering payment services. This ensures a level playing field for market participants that wish to offer their payment services through this 'facilitating technology', and that consumers are able to choose for themselves what payment service they use if they pay over a Big Tech platform or device.

2. *Ex-ante instrument.* Under the competition rules, ACM is able to intervene if an undertaking abuses its dominant position. Such an intervention is ex-post, so after any harm has already materialized. In dynamic, innovative markets such as the payment market, where network effects play a large role, it is vital to be able to step in quickly. Such interventions may be able to limit the anticompetitive risks of exclusionary or exploitative behavior in the form of unreasonable access at an early stage. For that reason, ACM, together with the Belgian and Luxembourg competition authorities, and the Dutch Ministry of Economic Affairs and Climate Policy, already took the initiative and drew up a proposal for an ex-ante instrument that can be deployed against platforms (including Big Tech platforms). This type of instrument targets various markets within ecosystems, and could also be effective in the payment market. ACM therefore supports the corresponding initiatives that the European Commission is currently undertaking.