

## PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

### MOBILE PAYMENT AND DIGITAL WALLET FINANCIAL SERVICES

#### Commonwealth Bank of Australia

Senator SCARR: Okay. I am interested in your reference to the media bargaining code and how that's a relevant analogy to this situation.

CHAIR: Are you able to take that question on notice, Mr Comyn?

Mr Comyn: Sure. I'm happy to.

**Answer:** We believe the News Media Bargaining Code<sup>1</sup> has some relevance to the digital wallet issue. Both relate to a lack of competition and the distortions that arise as a result.

In both cases, a small number of very large companies are providing platforms, or gateways, to services provided by other companies – be they media services or payment services.

The platforms in question benefit from strong network effects, meaning they have come to dominate the markets in which they operate. This means that when the platform providers negotiate with companies on access to their platforms, they face very little risk that their offer will be rejected, almost regardless of the terms proposed.

This imbalance in negotiating power means that the platform providers can demand a share of revenue that is not reflective of their contribution to providing the underlying financial service. If unaddressed, this will lead to under-investment in customer services over time, with as potential consequences a reduction in the availability of those services, or a significant increase in their cost.

In relation to imbalances in the news media market, the News Media Bargaining Code is designed to encourage fair commercial dealings and does this by requiring negotiation in good faith, with the possibility of arbitration where negotiations do not lead to agreement.

A number of regulatory models could be imagined that would promote investment in payment services in the interests of digital wallet users, in the presence of an imbalance in negotiating power.

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<sup>1</sup> *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Act 2021*