



21 May 2021

Mr Andrew Wallace MP
Committee Chair
Parliamentary Joint Committee on Corporations and
Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

By Email: corporations.joint@aph.gov.au

Dear Mr Wallace

Parliamentary Joint Committee on Corporations and Financial Services – Inquiry into mobile payment and digital wallet financial services

Match Group, Inc. (**Match**) welcomes the opportunity to assist the Parliamentary Joint Committee on Corporations and Financial Services' (**Committee**) inquiry into mobile payment and digital wallet financial services (**Inquiry**).

This submission outlines Match's business as an owner of companies that are all mobile app developers, competition and choice issues in Australia's payment ecosystem, and issues relating to the lack of mobile in-app payment solution choice facing mobile app developers globally, including in Australia.

Match's business

Match is a publicly traded corporation with headquarters in Dallas, Texas, USA. Match owns a portfolio of companies that provide dating services available in over 40 languages to customers in more than 190 countries through apps and websites. Match's brands in Australia include Match™, Tinder, OkCupid, Hinge, PlentyOfFish, Twoo and Ablo.

Issues of competition and choice in Australia's payment ecosystem

Reserve Bank of Australia (**RBA**) Governor Philip Lowe considered that in some cases it is better to think of a broader payments *ecosystem* rather than a payments system. Mr Lowe stated in his 2020 address to the Australian Payments Network:¹

One of the factors driving innovation [in Australia's payments ecosystem] is the increasing interest of technology-focused businesses in payments. These businesses include the fintechs and the large multinational technology companies, often known as the 'big techs'. They are a source of innovation and are playing a role in the development of digital wallets. These wallets are being used more frequently and I expect this trend has a long way to go. Another trend is the increasing use of payments within an app. Big techs are playing important roles on both fronts.

Mr Lowe recognised that digital wallets Apple Pay and Google Pay are raising 'new competition issues' and that beyond these issues 'there are other competition issues raised by the involvement of the big tech companies in payments', including 'the terms of access to...[a digital platform] and whether the platform requires that payments be processed by the platform's own payment system'.²

Payment solutions providers who provide digital wallet services such as FinTechs may also provide payment solutions in respect of mobile in-app payments. The ability of companies including FinTechs to provide their solutions to the market, including mobile in-app payment solutions, leads to increased

¹ Philip Lowe, Speech 'Innovation and Regulation in the Australian Payments System' – Address to the Australian Payments Network (7 December 2020) available [here](#).

² Ibid.



competition and innovation. Competition and innovation in mobile in-app payments supports a thriving payments ecosystem in Australia more broadly and provides a multitude of benefits to end-users. Where robust competition exists consumers enjoy both better services and reduced costs. A competitive payments ecosystem also benefits the sellers of products who are able to both leverage competition in the marketplace to reduce the embedded costs associated with payment processing and better tailor payment processing to address the needs of their customers.

No choice in mobile in-app payment systems

An important issue facing mobile app developers in Australia and globally is the bundling of access to mobile app stores with the mandatory and exclusive use of the app store operator's prescribed in-app payment system (**IAP Bundling**).

In its Digital Platform Services Inquiry (**DPSI**) Second Interim Report released in April 2021 (**App Store Report**), the Australian Competition and Consumer Commission (**ACCC**) found that both Apple and Google have '*significant market power*' in mobile operating systems (ie, the *iOS* and *Android* mobile operating systems, respectively) and in the distribution of mobile apps in Australia (ie, via Apple's App Store and Google's Play Store on the *iOS* and *Android* operating systems, respectively).³ The ACCC noted that Apple's App Store and Google's Play Store are '*effectively isolated from competition*' and do not constrain each other in any significant way.⁴

The ACCC also found that these app stores are '*must haves*' for app developers in Australia⁵ and that Apple and Google act as '*gatekeepers*' of app developer access to consumers.⁶ As gatekeepers, Apple and Google have the power to unilaterally set, amend and enforce terms of access to their app stores.⁷

One of these terms of access is the IAP Bundling requirement that is imposed on a subset of app developers who develop apps offering '*digital goods or services*'. Specifically, Apple's App Store mandates uses of its In-App Purchase system (**Apple IAP**) for the provision of such goods or services. Google similarly requires use of the Google Play Billing system (**GPB**) on its Play Store for the provision of such goods or services.

IAP Bundling results in mobile app developers having no choice among in-app payment processing solutions providers. FinTechs cannot compete to supply these app developers with their innovative and relatively cost effective solutions. App developers cannot also develop their own innovative FinTech solutions. This limits competition and innovation and, as noted by the ACCC, '*leads to a loss of consumer choice, as consumers are unable to use any other payment option when making payments in-app*'.⁸ If Match had the ability to either use its own bespoke payment system or a FinTech product, the result would be lower consumer prices and better consumer experience.

ACCC Chair Rod Sims said in announcing the App Store Report's release that the ACCC was '*concerned with restrictions imposed by Apple and Google which mean developers have no choice but to use Apple and Google's own payment systems for any in-app purchases*'.⁹

For the benefit of the Committee's understanding of the IAP Bundling issue, Match attaches its:

- submission to the ACCC in response to its app marketplaces Issues Paper (which informed the App Store Report) (**Attachment 1**); and

³ ACCC, 'Digital Platform Services Inquiry 2020-2015: March 2021 Interim Report' (28 April 2021) (**App Store Report**), p 43.

⁴ ACCC, App Store Report, p 5.

⁵ ACCC, App Store Report, p 43.

⁶ ACCC, App Store Report, pp 44, 78.

⁷ ACCC, App Store Report, pp 44, 63, 78.

⁸ ACCC, App Store Report, p 77.

⁹ ACCC, 'Dominance of Apple and Google's app stores impacting competition and consumers' (Media Release, 28 April 2021) available [here](#).



- submission in response to the Senate Select Committee on Financial Technology and Regulatory Technology's second Issues Paper (**Attachment 2**) and response to questions on notice (**Attachment 3**).¹⁰

Regulators¹¹ and governments globally are grappling with the issue of in-app payment system choice. For example, various States in the United States are considering bills which aim to open up in-app payment system choice. These bills aim to allow other providers of mobile payment solutions to offer their services to app developers. Examples include the bills put forward in Georgia,¹² Illinois,¹³ Massachusetts,¹⁴ Minnesota,¹⁵ New York,¹⁶ Arizona,¹⁷ Florida,¹⁸ Hawaii,¹⁹ Louisiana²⁰ and Rhode Island.²¹ Additionally governments across the globe are investigating this matter more broadly and may soon act to make the app ecosystem payment process more competitive. Jurisdictions that are investigating this matter are the US, UK, EU, Russia, South Korea, India, France, Germany and Netherlands.

Impact on competition

As outlined above, the ACCC found that app stores are critical gateways to consumers for app developers. Apple and Google have been found by the ACCC to be able to unilaterally impose their own rules, including the bundling of app developer access to the app store with the use of a prescribed payment system that generates substantial revenue for Apple and Google respectively.²²

IAP Bundling means that payment system providers, who also offer digital wallet services (eg, PayPal or Stripe, alternatives expressly noted in the ACCC's App Store Report²³), cannot provide their payment services to developers for in-app payments. Given that purchases through a downloaded app constitute one of the most common forms of mobile payments activity, IAP Bundling has implications for Australia's payments ecosystem more broadly.

Impact on consumers

The impacts of Apple's and Google's policy flow downstream to consumers. App developers who must use Apple's and Google's mandated in-app payment processing facilities must pay a 30% commission for each transaction / in-app purchase made by a user. This is substantially higher than the fees charged by FinTech alternatives or the costs of an in-house solution. Indeed, the ACCC found that this commission rate was 'highly likely' to be inflated due to Apple's and Google's respective significant market power.²⁴ This can impact the returns app developers receive, which reduces incentives to invest and makes innovation riskier. If an app developer elects to pass on some or all of this fee to consumers, consumers then bear this additional cost.

The widespread and growing use of apps mean that the excessive commissions charged by the app store operators will have an increasing financial impact on consumers. With IAP Bundling applying to a significant subset of apps, the Coalition for App Fairness (**CAF**) was established in 2020. CAF members

¹⁰ See Select Committee's webpage available [here](#).

¹¹ For example: on 30 April 2021, the European Commission issued antitrust charges against Apple over its app store policies; On 4 March 2021, the UK CMA launched an investigation into Apple over its app store practices, including the bundling of its in-app payment system; the Netherlands' competition regulator Authority for Consumers and Markets is also reportedly close to finalising its decision in its investigation into Apple's in-app payments system.

¹² See [HB 229](#) and [SB 63](#).

¹³ See [SB 2311](#).

¹⁴ See [H 140](#).

¹⁵ See [HF 1184](#) and [SF 1327](#).

¹⁶ See [S 6255](#).

¹⁷ See [HB 2005](#).

¹⁸ See [SB 7072](#).

¹⁹ See [SB 780](#).

²⁰ See [HB 14](#).

²¹ See [H 6055](#).

²² ACCC, App Store Report, p 10.

²³ ACCC, App Store Report, p 77.

²⁴ ACCC, App Store Report, p 78.



span a wide range of online service providers, including music, games, health and fitness, publishing, trading, remote working, and tracking devices.²⁵

Closing remarks

The ACCC said that removing IAP Bundling requirements would '*allow app developers to offer consumers alternative methods to pay for goods and services, including potentially cheaper prices*'.²⁶ The ACCC considered that such unbundling would require further industry consultation.²⁷ Further public consultation is welcomed and Match sees the Committee's Inquiry as a relevant forum for discussion.

We would encourage the Committee to consider further how the issues outlined in this submission impact consumers, competition and innovation in Australia's mobile payments ecosystem, including with respect to the competitiveness of businesses like FinTechs who offer payment solutions (including both digital wallet and in-app payment solutions) and developers who could offer in-app payment solutions.

We thank the Committee for its consideration of this material and would welcome the opportunity to engage further with the Committee on these matters.

Yours sincerely,

Mark Buse

SVP and Head of Global Government

Relations & Policy

Match Group, Inc

²⁵ Coalition for App Fairness, <https://appfairness.org/>.

²⁶ ACCC, App Store Report, p 78.

²⁷ ACCC, App Store Report, p 79.