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Competition in Mobile Payment Services – Note by Türkiye

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Antonio CAPOBIANCO
Antonio.Capobianco@oecd.org, +(33-1) 45 24 98 08

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Türkiye

1. Introduction

1. Over the past two decades, technological advancements, shifts in user behavior, and transformations in regulatory frameworks have increasingly directed consumers and businesses toward cashless payment methods (BIS 2023, p. 2). In this context, as cashless payments have become an indispensable part of daily life, developments in financial and information technologies have accelerated the emergence of financial technologies. In particular, digital service platforms—which significantly eliminate physical and temporal limitations—have evolved into domains where innovative payment systems are actively utilized. Among these technologies, mobile payments have gained prominence, especially with the widespread use of smartphones. Indeed, in Türkiye, one out of every three consumers who shop online carries out their payment transactions via mobile devices (TÜBİSAD 2020).

2. Mobile Payments: Benefits, Impacts and Consequences

2. In Türkiye, from the broadest perspective, the concept of mobile payment is regulated under the Act numbered 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions (Act numbered 6493). Within this framework, mobile payment is defined as the execution of payments for goods, services, and bills through mobile devices by means of wireless communication technologies (Dahlberg et al., 2008).

3. Mobile payments have accelerated the digitalization process in the financial services sector by providing a significant competitive advantage and enabling structural transformation. These technologies have enhanced the customer experience through user-centered interfaces, rapid transaction capabilities, and authentication methods (e.g., biometric security systems), offering individuals the ability to conduct transactions independently of time and place, thereby increasing customer satisfaction. Indeed, compared to card-based transactions, mobile payments offer users not only more convenient and faster services, but also ease of access to and comparison of product prices, discounts, and other promotional information across different locations. In this regard, with the rise of mobility, mobile payment systems are increasingly becoming a significant alternative to traditional payment instruments such as credit cards and cash (Ondrus and Pigneur 2006).

4. Additionally, mobile payments have facilitated consumers' ability to conduct transactions independently of time and place by promoting online shopping, which reached record levels during the pandemic. Indeed, while the share of e-commerce in total trade volume was 10.1% in 2019, it has significantly increased over the years, reaching 20.3% in 2023. In Türkiye, the e-commerce volume rose by 115.15% in 2023 compared to the previous year, reaching 1.85 trillion Turkish lira, while the number of transactions increased by 22.25%, amounting to 5.87 billion (Ministry of Trade 2024). Undoubtedly, the development of mobile payment capabilities and technologies has played a key role in this growth.

5. Moreover, mobile payments have become an effective tool as an alternative channel that strengthens financial inclusion for individuals with limited access to traditional

banking services (Donner and Tellez 2008, pp. 318–319); (Turkish Competition Authority 2021). Indeed, the fact that even people without a bank account in developing countries own a mobile phone highlights the considerable potential of mobile phones to deliver financial services both for informational purposes and for conducting transactions (The Banks Association of Türkiye 2011).

6. For the reasons outlined above, consumers have increasingly demanded faster and more innovative service providers, driven by the expectation of being able to perform transactions instantly via mobile devices. This trend has compelled traditional financial institutions to strengthen their mobile payment infrastructures in order to maintain their competitive edge. Indeed, PSR (2024, 36) notes that Visa has acknowledged the necessity of investing in various areas to continue being a payment method that is easy, fast, efficient, and secure.

7. On the other hand, mobile payments offer businesses the opportunity to provide more personalized and higher-quality services by utilizing data such as users' location, shopping habits, and purchasing preferences. In doing so, businesses can attract new customers by launching more targeted and advantageous campaigns, rather than offering minor promotions aimed at a broad consumer base (İşler and Gülaç 2017).

8. Finally, when mobile payments are considered from the perspective of financial institutions, several key advantages of digitalization—and thus mobile payment solutions—stand out. These include the reduction in the need for physical branches and personnel, the lowering of operational costs, and the enhancement of efficiency and effectiveness through the digitization of processes (McKinsey & Company 2023). Indeed, it is reported that financial institutions prioritizing digital transformation have succeeded in increasing their operating income per asset from 1.22 in 2011 to 1.47 in 2019, benefiting from cost improvements and revenue advantages compared to traditional banking structures (Accenture 2020, p. 5).

9. In addition, the volume of data offered by mobile payment infrastructures and the ability to analyze such data facilitate the examination of user behavior, thereby providing financial institutions with strategic advantages in areas such as personalized service delivery, effective risk management, and fraud detection. For instance, with the development of technology and the integration of promising technologies such as artificial intelligence and machine learning into the AISP service offered under open banking practices—which enables users to access all their accounts through a single application—users may be provided with recommendations on how much of their income should be allocated to investments and how to invest effectively (KPMG 2017). This will undoubtedly offer financial institutions a competitive advantage in enhancing customer satisfaction.

10. In this context, the advantages provided by data in the payments domain indicate that competition is no longer limited to service quality alone, but rather occurs across multiple dimensions such as user experience, accessibility, and data security (Turkish Competition Authority 2021). Moreover, the growing importance of data brings data-driven competition to the forefront, in addition to price competition, which has traditionally been the primary form of rivalry among banking actors (EY 2021). Indeed, as a consequence of digitalization not only in financial markets but also across economies more broadly, the concept of "data ownership" has become a cornerstone of competitive analysis (Turkish Competition Authority 2021, p. 83).

11. On the other hand, mobile payments have also paved the way for financial technology enterprises to operate within the sector. As a result, competition in the payments domain is no longer limited to traditional banking actors but has become more diversified

with the market entry of fintech companies offering services such as mobile payment solutions. Consequently, mobile payments enable fintech companies with the necessary infrastructure and licenses to develop financial products and services that offer ease of use for consumers. This development will shift the process of financial product and service innovation away from the monopoly of traditional banking institutions, thereby enhancing product diversity and increasing consumer welfare through heightened competition.

12. Additionally, one of the most significant drivers behind the development of capital and the financial system is the potential to achieve higher profitability at a certain point. However, if this profitability is not sustained for both consumers and providers, it cannot be considered sustainable. In this context, mobile payment systems not only enhance customer experience through the operational and strategic advantages they offer but also provide financial institutions with a competitive edge. Indeed, the integration of mobile payment applications with other services used in daily life—such as cards, flights, accommodation, dining, and information technologies—can generate profitability for both providers and consumers through such collaborations (Deloitte 2021). For example, financial technology service providers, through open banking services that enable mobile payments, can help banks reduce the need to independently build or code technologies required to store and encrypt all sensitive data, thereby decreasing associated costs.

13. However, the ease with which mobile devices can be seized and reused, along with the limited security features of mobile operating systems, makes mobile systems more susceptible to fraud. Therefore, greater emphasis must be placed on security within mobile payment systems. The proliferation of mobile information systems, mobile applications, and connected devices increases opportunities for data and identity theft. In such circumstances, users may be hesitant to adopt these systems unless they are confident that their personal data and account information are adequately protected.

3. Applications and Technologies Offering Mobile Payment Opportunities

14. At this stage, it would be beneficial to address digital wallet services, which enable the provision of innovative and functional mobile payment solutions perceived to enhance the sense of security among consumers, businesses, and other stakeholders.

15. As is well known, the widespread adoption of mobile devices capable of storing financial information encoded on multiple credit and/or debit cards in the mid-2010s initiated a new evolution in payment transactions. For instance, a merchant can accept a payment using Near Field Communication (NFC) technology. Considering technological advancements and the growing volume of e-commerce, the number of payment transactions—particularly those conducted within the scope of distance sales—has also increased (Turkish Competition Authority 2022, p. 32). This development has created a need to ensure the secure execution of payment transactions against potential threats such as fraud, ultimately bringing digital wallets—one of the most significant innovations in financial technologies—into prominence.

16. A digital wallet is defined as software, an application, or an electronic service used by individuals or enterprises to store payment instrument data and capable of holding a set of funds for transactions conducted either face-to-face or online (Sukaris et al. 2021, p. 2). When examining the relevant provisions of Turkish legislation concerning digital wallet services, the *Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers*, published in the Legal Gazette dated 01.12.2021 and numbered 31676, introduces a definition through an amendment dated 07.10.2023. According to Article 3(*zz*) of the aforementioned Regulation, a digital wallet is defined as "a payment instrument

offered as an electronic device, online service, or application in which the information relating to a payment account or payment instrument defined by the customer is stored, and which allows the customer to perform payment transactions using the defined account or instrument." In addition, the regulatory requirements that must be met by payment service providers offering digital wallet services are stipulated in the relevant provisions of the Regulation.

17. As a form of mobile payment, the digital wallet primarily ensures that users can carry out transactions easily and securely within the framework of both online and offline payments[1]. Additionally, a digital wallet functions as a data storage system designed to eliminate the need for users to repeatedly enter card information (such as card number, CVV, etc.) held with one or more financial institutions. The digital wallet ecosystem typically comprises cardholders, card issuers and/or acquirers, merchants, and payment institutions. Through digital wallets, cardholders can select from among the cards previously saved in the wallet and make purchases at merchants integrated into the digital wallet ecosystem. Globally recognized digital wallets include Apple Pay, Google Pay, and PayPal. In Türkiye, platforms such as Hepsipay, Iyzico, and Masterpass, although offering varying features, fundamentally provide digital wallet services[2]. The core technologies utilized by digital wallets include QR codes, Host Card Emulation (HCE), tokenization, and biometric authentication methods (TFKB 2024).

18. In this regard, it is necessary to address two of the core technologies used by digital wallets: NFC and QR. NFC is a technology that enables data to be transmitted wirelessly from one device to another over a distance of less than 10 centimeters (İşler and Gülaç 2017). When two NFC-enabled devices are brought close together, their NFC chips exchange encrypted data to complete a payment. NFC technology is used in transactions where the mobile phone is physically present in the same environment as the POS device. For most transactions conducted in this manner, entering a PIN is not required, as speed and convenience are central elements of NFC's marketing strategy. However, for purchases exceeding a certain threshold or when daily limits are surpassed, requiring PIN authentication in order to authorize the transaction would enhance security.

19. The NFC payment process enables users to make payments in a convenient, fast, and secure manner. For this reason, NFC-based payment systems such as Apple Pay and Google Pay are rapidly becoming preferred consumer payment methods. Moreover, with advancing technologies, it has become possible to use NFC-enabled smartphones as POS devices. However, such usage increases the security risks associated with the devices positioned at the entry point of the payment ecosystem. Ensuring the security of mobile devices can be more challenging compared to traditional POS systems.

20. Another core technology used by digital wallets is QR (Quick Response) technology, which is one of the most widely used methods within mobile payments. Although QR codes were first developed in 1994, they have gained widespread usage in recent years and are two-dimensional (matrix) barcodes that can also be used to convey information to smartphones (İşler and Gülaç 2017). The main reason for the appeal of QR code usage lies in its compatibility with any smartphone and operating system, along with the minimal investment required on the merchant side—limited to a barcode reader and a simple software update. Thanks to their ease of use and accessibility via smartphones for a

[1] Turkish Competition Board (Board) decision dated 30.05.2019 and numbered 19-20/291-126 (*BKM Express*) (in Turkish).

[2] The Board's decision on *BKM Express*.

wide range of individuals, QR codes have enabled the successful implementation of numerous mobile payment systems.

21. Another advantage offered by QR codes lies in their use for mobile offers and promotions. With the widespread adoption of smartphones in recent years, mobile coupons have gained popularity and are rapidly replacing traditional paper coupons. From the perspective of merchants, mobile coupons provide a significant reduction in costs, while for consumers, they offer greater ease of use (İşler and Gülaç 2017).

22. Additionally, regarding QR-related developments in Türkiye, the "Regulation on the Generation and Use of TR QR Code in Payment Services" and its annexed document titled "TR QR Code Principles and Rules" were published in the Legal Gazette dated 21 August 2020 and numbered 31220. These regulations were prepared with the aim of establishing common rules and a shared language to ensure interoperability among stakeholders in the payments ecosystem, support innovative initiatives, and thereby promote the widespread use of QR codes in payment services. The regulations are based on Act numbered 6493. Furthermore, the Central Bank of the Republic of Türkiye (CBRT) has published two technical guidelines: the "FAST – TR QR Code Technical Principles and Rules Guide," which sets out detailed technical standards for the use of TR QR Code in transactions executed via the FAST System, and the "BKM (Card Payments) TR QR Code Technical Principles and Rules Guide," which provides detailed technical standards for transactions executed via card-based payments[3]. It is considered that TR QR Code contributes to increasing competition and reducing the informal economy by promoting standardization in digital payments.

23. Following the discussion of the technologies used in digital wallet services, it is also relevant to elaborate on their operational principles in order to fully understand the functioning of digital wallets. Fundamentally, digital wallets are categorized into two types: pass-through wallets and e-money (staged) wallets. Masterpass[4], Google Pay, and Apple Pay are examples of pass-through wallets. In such wallets, the customer initiates the transaction using the wallet as an interface, and the wallet transmits the payment information to the merchant (or acquirer). Since the wallet does not hold any funds itself, it must be funded through a linked card or bank account. Masterpass, Google Pay, and Apple Pay form partnerships with card schemes, cardholders, and the banks that ultimately process and settle the payments in order to facilitate payment transactions. In this context, Masterpass, Apple Pay, and Google Pay merely function as intermediaries between the bank accounts of cardholders and merchants, thereby supporting the existing roles and business models of financial institutions within the current payment ecosystem (Kazan 2015, p. 8). Moreover, since these two digital wallets currently support only payment cards, they cannot be considered genuine alternatives or substitutes to traditional banking actors—particularly Mastercard and Visa (PSR 2024, p. 43).

24. In terms of their potential to serve as alternatives to traditional banking actors, it is also useful to address the e-money wallet model—another type of digital wallet that, for instance, PayPal has adopted as its operational principle. E-money wallets are capable of storing funds and play an active role in the flow of funds. Generally, both the customer and the merchant must hold an account with the respective wallet provider. In this model, the customer selects a stored funding method and/or e-money within the wallet to make a payment, while the merchant receives the transaction amount in their wallet account. Since

[3] For detailed information, see BKM (Card Payments) TR QR Code Technical Principles and Rules Guide and FAST - TR QR Code Technical Principles and Rules Guide.

[4] Mastercard's pass-through digital wallet brand.

e-money wallets separate the funding stage—where the customer transfers funds into the wallet—from the payment stage—where these funds are transferred to the merchant—they are also referred to as staged wallets.

25. In this context, it can be stated that PayPal provides transaction services independently from, and as a substitute for, traditional banking actors such as card schemes, and charges merchants for these services (Khan and State 2019, p. 6). However, considering that the majority of transactions conducted via PayPal in the UK are funded through card payments, and that any increase in card scheme service fees also affects PayPal, it may be argued that PayPal represents only a weak alternative to card schemes through its non-card payment methods (PSR 2024, p. 43). Therefore, while an increase in card scheme service fees may incentivize merchants to accept PayPal as a payment method, merchants are expected to have limited incentive to steer customers away from card schemes (e.g., Mastercard and Visa) toward PayPal. Consequently, the current capacity of staged digital wallets to serve as alternatives or substitutes to traditional payment methods remains limited.

4. Mobile Payments and Competition Law

26. On the other hand, after addressing the general definition of mobile payments, the benefits they provide, their competitive effects, and illustrative applications enabling such services, it is also useful to analyze mobile payment applications within the context of competition law. The increasing use of mobile payments and the rise of undertakings operating in this field have led competition authorities to become more involved in the sector. Indeed, the transformation commonly referred to as financial technologies—which drives the development of mobile payments and occurs broadly within the financial sector and more specifically in payment services—necessitates various initiatives not only from legislators and regulatory bodies in the sector, but also from competition authorities.

27. As mentioned above, with the growing influence of financial technologies, new players—alongside incumbent actors—have begun to offer services in finance-related markets, and traditional business workflows are increasingly being replaced by innovative, user-friendly, and value-added processes. As a result of intensified competition, consumers not only benefit from a wider range of options but also gain access to products and services under more favorable conditions. However, the competitive and innovation-driven transformation of financial markets led by financial technologies can, in certain cases, be disrupted, thereby preventing the full realization of the potential promised by such technologies. In this context, developments in the field of financial technologies raise not only concerns related to financial stability but also questions regarding the competitive structure of financial markets. Indeed, a review of studies published between 2016 and 2020 by the competition authorities of the United Kingdom, Germany, the Netherlands, Spain, Portugal, Canada, and Mexico, as well as the European Commission, reveals that anti-competitive risks in the fintech sector have been identified and that the applicability of competition law tools in this area has been discussed. In this respect, the competitive concerns present in financial technology—and specifically in mobile payment applications as a subset thereof—are likely to affect both the undertakings operating or planning to operate in this area and the consumers using such applications. Accordingly, this study will conclude by addressing potential competition issues that may arise and examining the practices of the Turkish Competition Authority in the field of mobile payments. In this regard, attention will be paid to relevant case files and the sectoral inquiry conducted by the Authority.

28. In this context, the responsibilities that competition authorities should assume regarding the financial technology sector—which forms the overarching framework for mobile payments—were outlined in the "*Report on Sector Inquiry into Financial Technologies in Payment Services*" published by the Turkish Competition Authority in 2021[5]. The report emphasized the importance of maximizing the benefits of the radical digital transformation in Türkiye's financial sector and highlighted the necessity of inter-institutional cooperation in this domain. According to the sectoral review, the primary responsibility of the sector's regulatory authorities is to "establish new regulatory frameworks that align with digitalization in the sector and safeguard financial stability," while the fundamental role of competition authorities is to "remove barriers to innovation and competition in the market." In addition, the report examined the current market outlook and structure, analyzing the interaction between traditional banking actors and financial technology initiatives. A central theme of the report is the structural and regulatory barriers faced by fintech undertakings during their market entry process, as well as the implications of these barriers for competitive dynamics.

29. Additionally, the aforementioned report addressed the impact of the regulatory framework on innovative activities within the sector, emphasizing the need to reconsider the licensing regime, open banking practices, and the legal infrastructure concerning data sharing in a manner that supports the development of competitive market conditions. Within the findings related to the integration of technological innovations into the sector, the transformative potential of mobile payment solutions, digital wallet systems, and blockchain-based applications on the competitive landscape was highlighted. In this context, it was noted that the innovations introduced by financial technology undertakings not only enhance product diversity but also reshape key competitive parameters such as pricing strategies and customer acquisition.

30. Furthermore, the same report emphasized that the tools available to regulatory authorities and competition authorities differ in accordance with the distinct missions assigned to them. It was highlighted that this divergence stems primarily from the unique roles attributed to each authority. While the prevailing principle in the regulation of the financial sector is to ensure and maintain financial stability, the main priority of competition authorities lies in preserving and promoting competition in goods and services markets. Nevertheless, according to OECD (2017), this divergence in priorities should not be viewed as conflicting but rather as a complementary division of responsibilities.

31. In this regard, the existence of inter-institutional cooperation and dialogue mechanisms is of vital importance for all regulations and measures to be adopted in the financial sector in general and payment services in particular. Indeed, it has been observed in the practice of many countries that close cooperation has been established between competition authorities and sectoral regulatory bodies, and that competition authorities play an active role not only through traditional ex-post interventions but also during the formulation of regulatory frameworks (OECD 2020). Therefore, collaboration among different authorities stands out in several areas, especially in relation to the processing and

[5] This study, in which the information and opinions of 45 undertakings/associations of undertakings, including banks, financial technology companies, technology companies, e-commerce marketplaces and various professional associations, and 7 relevant public authorities were consulted during the preparation of the aforementioned report, and an intensive literature review was carried out, presents determinations and opinions on the basis of competition law on what actions can be taken and what kind of approaches can be taken regarding the new developments in the field of fintech. For detailed information, see https://www.rekabet.gov.tr/Dosya/geneldosya/report-on-sector-inquiry-into-financial-technologies-in-payment-services-pdf?AspxAutoDetectCookieSupport=1 ,D.A: 08.04.2025.

protection of data and the competitive implications thereof. In this context, the active involvement of the Turkish Competition Authority in the regulatory processes concerning payment services in Türkiye becomes particularly relevant. Notably, the Authority is consulted in the legislative processes relating to payment services and, under the Act numbered 4054 on the Protection of Competition, it provides opinions and recommendations with the aim of safeguarding competition in the relevant markets[6].

32. In the conclusion of the report, concrete policy recommendations were presented to promote financial technologies, facilitate market entry, and develop pro-competitive regulations. These recommendations are considered to be of strategic importance for establishing an effective and sustainable competitive environment in the payment services market in Türkiye.

33. On the other hand, financial technology undertakings often maintain vertical relationships with banks, which they compete against primarily at the retail level, and rely on traditional banking infrastructure (Turkish Competition Authority 2021, p. 25). In this sector, where vertical agreements are widespread, provisions such as non-compete obligations and exclusivity clauses included in such agreements may hinder the development of a competitive environment. Accordingly, it is evident that the conduct of incumbent financial institutions, which may result in the restriction of competition and innovation, will remain a constant concern for competition authorities (Trattner 2016, p. 46). For example, in a preliminary investigation conducted by the Turkish Competition Authority in 2022, allegations were examined that certain banks operating in Türkiye and engaged in the issuance and acquiring of debit and credit cards had violated Articles 4 and 6 of the Act numbered 4054 on the Protection of Competition by restricting access to their POS services for payment institutions and engaging in various exclusionary practices. The investigation concluded that the banks in question did not hold a dominant position; therefore, the alleged conduct—such as refusal to deal and margin squeeze—could not be considered competition law infringements under the current case. Nonetheless, in order to eliminate all potential competitive concerns, whether or not the alleged practices had occurred was examined, and it was ultimately determined that the allegations were unfounded[7].

34. On the other hand, potential unilateral practices by dominant undertakings offering mobile payment solutions may also be considered a competition concern. Competition law theory suggests that, particularly in multi-sided platform markets, factors such as network effects, data accumulation, and switching costs can confer substantial market power on undertakings. In this context, it is assessed that undertakings providing digital wallet services may have the potential to restrict competition in the market by leveraging their data advantages, broad user base, and vertically integrated structures to hinder the operations of their rivals. Within this scope, an ongoing investigation by the Turkish Competition Authority regarding digital wallets should also be noted. The investigation

[6] For example, Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services, https://www.tcmb.gov.tr/wps/wcm/connect/80b75c08-7e61-4c79-ab5f-6791f2f2973d/Tebli%C4%9F.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-80b75c08-7e61-4c79-ab5f-6791f2f2973d-pntozfi and Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers (Article 59) https://www.mevzuat.gov.tr/mevzuat?MevzuatNo=39080&MevzuatTur=7&MevzuatTertip=5, D.A: 14.04.2025 (in Turkish).

[7] For detailed information, see https://www.rekabet.gov.tr/Karar?kararId=1f581e69-283a-4138-bdc3-7b1f234e8820, D.A:14.04.2025 (in Turkish).

concerns whether Mastercard, through its Masterpass service, has abused its dominant position in the digital wallet services market by engaging in practices—including predatory pricing—that may hinder the activities of competitors, and whether Visa's imposition of a non-compete obligation on its merchant-side clients, preventing them from receiving services from rival providers, has produced potentially anti-competitive effects in the market[8].

35. Additionally, the ongoing investigation initiated by the Turkish Competition Authority into Apple may also be referenced. The investigation aims to determine whether certain restrictions imposed by Apple on application developers through its App Store constitute a violation of Article 6 of the Act numbered 4054 on the Protection of Competition. The findings indicate that Apple requires developers to use its proprietary payment system, In-App Purchase (IAP), and does not allow the use of alternative payment systems for in-app purchases. Moreover, developers are prevented from informing users about external payment providers or including links within the app that direct users to such providers. This practice is considered to potentially restrict consumers' awareness of alternative payment options and limit their access to potentially more favorable prices. The investigation examines whether Apple's practices eliminate developers' freedom of choice and hinder the entry of rival payment systems into the Apple ecosystem[9].

36. Finally, the application for an individual exemption under Article 5 of the Act numbered 4054 concerning the digital wallet service offered under the name BKM Express by Interbank Card Center AŞ (BKM) was the subject of the Turkish Competition Board's decision dated 30.05.2019 and numbered 19-20/291-126[10]. While BKM Express enables cardholders to make fast, easy, and secure payments in online shopping transactions, concerns were raised due to BKM's nature as a joint venture and the fact that a significant number of its members are actively operating in the market both as card issuers and payment service providers. It was concluded that the service could generate anti-competitive effects. The Board expressed concerns that the access of other digital wallet service providers to the market could be restricted, innovative entrants could be excluded, consumers might not fully benefit from alternative solutions, and competitively sensitive information could be indirectly shared within the joint venture structure through BKM Express. On these grounds, the Board found that the service was restrictive of competition under Article 4 of the Act numbered 4054 and did not meet the conditions for individual exemption as set out in Article 5 of the same Act (i.e., contribution to economic or technical progress, consumer benefit, proportionality, and the preservation of competition). As a result, the Board decided to revoke the previously granted indefinite individual exemption, ordered the termination of the service within 60 days, and stated that failure to comply with this obligation would result in the initiation of an investigation against BKM and the relevant member banks. The decision also emphasized that similar practices and arrangements—such as those related to commission rates in card payment systems—should be subject to exemption assessment. This decision represents a concrete and principled example of intervention in platform competition, aiming to limit the ability of dominant

[8] For detailed information, see https://www.rekabet.gov.tr/en/Guncel/investigation-launched-on-mastercard-and-visa-20a11c47e7a7ef1193d60050568585c9 and see https://content.mlex.com/#/content/1612084/mastercard-visa-investigated-in-turkey-over-suspected-exclusionary-conduct?referrer=search_linkclick, D.A: 08.04.2025.

[9] For detailed information, see https://www.rekabet.gov.tr/en/Guncel/investigation-on-apple-9d22e7800324ef1193cb0050568585c9 D.A: 08.04.2025

[10] For detailed information, see https://www.rekabet.gov.tr/Karar?kararId=d14d4d2d-6584-430f-a825-1f8c781bfba8, D.A:10.04.2025 (in Turkish).

players such as BKM to shape competition in digital markets through joint venture structures, and thus constitutes an important step toward establishing a fair and symmetrical competitive environment for undertakings operating in the field of mobile payment services[11].

37. On the other hand, mergers and acquisitions occurring in the field of mobile payments continue to be a constant focus of competition authorities. In this context, merger and acquisition cases reviewed by the Turkish Competition Authority should also be examined.

38. As a first example, the Turkish Competition Authority examined the transaction concerning the acquisition of the entirety of Paynet by Iyzico, which is under the control of Naspers Ltd[12]. The review identified horizontal overlaps between the parties in the markets for virtual POS services, mPOS services, and B2B card data storage services. Within the scope of the case, it was noted that card data storage services encompass the storage of customers' card information through tokenization—offered to consumers via digital wallet applications in the B2C model and to businesses in the B2B model. It was further stated that there is no demand-side or supply-side substitutability between the B2C and B2B models, as the two differ in terms of their technical, operational, financial, and regulatory requirements.

39. In the aforementioned case, it was assessed that virtual POS services are infrastructures provided by banks or payment institutions that enable the acceptance of payments in online shopping transactions. It was noted that both banks and payment institutions offer virtual POS services, that switching between providers is possible in this market, and that competition therefore continues to exist. Within the same case, it was also stated that mPOS services refer to solutions that enable contactless payments via mobile devices. Despite certain limitations of mPOS systems, they were considered a sub-segment of physical POS services.

40. In the case in question, no risk of market concentration likely to significantly reduce competition was identified in any of the three markets following the transaction. This conclusion was supported by the strong position of competitors in the B2B card data storage and virtual POS services markets, as well as the fact that market entry is possible, timely, and effective. Furthermore, the presence of countervailing buyer power was identified due to the ability of large customer groups to influence pricing and the low switching costs between providers. The weight of the five largest customer segments within the overall customer portfolio was considered a factor enhancing bargaining power. Finally, from the perspective of potential market structures, it was concluded that the merger would not have a detrimental effect on competition. In both the virtual POS and card data storage markets, numerous new undertakings have entered the market over the past five years and have attained significant market positions. As a result, it was determined that the transaction would not significantly reduce effective competition in the relevant markets or create a structural competition concern. In line with the commitments shaped by third-party opinions, the Authority approved the acquisition.

41. Finally, it is necessary to briefly address one of the possible future scenarios anticipated in the field of mobile payment applications. Large technology undertakings have begun to expand their operations into the retail payments sector by leveraging customer data and have started offering services directly to end-users (Mansfield-Devine

[11] For detailed information, see https://www.rekabet.gov.tr/Karar?kararId=d14d4d2d-6584-430f-a825-1f8c781bfba8, D.A:14.04.2025 (in Turkish).

[12] Board's decision dated 09.01.2025 and numbered 25-01/40-25 (in Turkish).

2016, p. 11). These undertakings transfer their experience in digital environments to their products and develop cost-effective and consumer-friendly designs. Although these digital giants are not, in essence, engaged in banking activities, it is assessed that they are prepared to compete with incumbent retail banks and other providers in order to displace them from any consumer-facing activities.

42. In this regard, mobile payment applications represent the most fundamental tool through which products and services developed by digital giants in the banking sector can be transformed into revenue-generating mechanisms (Rousseau 2019, p. 2). Within this scenario, it appears highly uncertain how a retail bank could effectively compete—except by developing products targeting niche markets in which global digital giants are unable to participate. Therefore, this scenario can be regarded as the most challenging one for retail banks. Indeed, due to economies of scale and scope, it seems likely that only the largest banks will be able to sustain their operations (Köseoğlu 2023, p. 51).

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