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Competition in Mobile Payment Services – Note by Argentina

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1. The rapid digitalization of commerce—accelerated by the COVID-19 pandemic—alongside targeted government incentives and the growing dynamism of the fintech sector, has reshaped consumer behaviour and payment systems in many countries. In emerging and developing economies, mobile payment adoption is rising sharply, driven not only by smartphone penetration and transactional ease, but also by the potential for greater financial inclusion.

2. At the heart of this transformation is the rise of mobile commerce and the increasing role of payment facilitators—fintech firms that offer innovative, low-cost, and efficient electronic payment solutions. These actors have lowered entry barriers for small and sporadic retailers, enabling them to accept digital payments without the overhead costs associated with traditional point-of-sale systems.

3. This shift has intensified competition in the payments value chain, particularly in the merchant acquisition segment, traditionally dominated by legacy players, primarily comprised of banks and payment card networks. The emergence of tools such as QR codes and mobile wallets has further diversified payment interfaces, fostering a more dynamic and competitive ecosystem. In Argentina, the expansion of QR-based payments has challenged long-established acquirers, reshaping the landscape of mobile payment services and highlighting the growing relevance of fintech-driven innovation.

4. This contribution aims to analyse the competitive impact of mobile payment services on financial markets, exploring their role as complements or substitutes to traditional banking and financial players, and assessing how market entry or exit of competitors has affected consumers, merchants, and competition in general. It also examines the intervention of the National Commission for the Defence of Competition (CNDC, for its acronym in Spanish) in the payment network. This note is structured in two main sections: the first one discusses the competitive implications of mobile payments; the second section details the CNDC's intervention actions in the payment system sector in response to digitalisation.

1. The competitive impact of the development of mobile payment services on the financial sector and end users

5. The entry and rapid growth of platforms such as *MercadoPago*, *MODO*, *Ualá*, *Prex*, *Naranja X*, *BNA+* and *Cuenta DNI*, among others, have intensified competition in the digital payments network.

6. These platforms not only introduced new technologies but also engaged in aggressive promotional strategies—such as cashback offers and discounts—to capture users and increase transaction volume. This has pushed incumbent players, including banks, to rethink their digital offerings and customer engagement strategies.

7. For consumers, mobile payments have brought enhanced convenience, a broader range of payment options, and access to financial services that were previously limited or non-existent for large segments of the population. Digital wallets allow for seamless transactions, integration with QR codes, and the ability to manage funds via smartphones. The rise of remunerated balances—where users earn returns on the funds held in their digital wallets—has become a major differentiator. Unlike traditional banks, which

typically did not offer interest on checking or transactional accounts, fintech platforms have leveraged this feature to attract and retain users, particularly in inflationary contexts like Argentina. As a result, mobile payment systems have not only increased competition but also raised the standard for value-added services across the industry.

8. In Argentina, platforms like *MODO* and *MercadoPago* have rolled out frequent promotional campaigns, making everyday purchases more affordable and stimulating the adoption of mobile payments even among less tech-savvy users. This has helped to drive financial inclusion and shift more transactions into the formal economy.

9. According to the *2024 Financial Inclusion Report* by the Central Bank of Argentina (BCRA, for its acronym in Spanish),¹ financial inclusion in the country has advanced significantly in recent years. As of mid-2024, 71% of adults held an account offered by payment service providers (PSPs), representing a remarkable increase from just 7% in 2019. This pace of adoption reflects the growing integration of individuals and businesses into the digital financial ecosystem. Electronic payments have continued to gain ground over cash: in the first half of 2024, adults made an average of more than 40 electronic payments per month—a 73% increase compared to the same period in 2023. Credit access has also expanded: by June 2024, 56.6% of the adult population had access to financing through either traditional financial institutions or non-financial credit providers (PNFCs, for its acronym in Spanish). Notably, over half (53%) of the 1.7 million new borrowers entered the credit market through PNFCs, particularly fintech firms offering consumer loans via mobile apps or websites.

10. This dynamic has a positive effect on financial inclusion, as individuals who previously lacked access to formal credit have been able to obtain financing through providers subject to regulatory requirements, including those related to consumer protection. Moreover, as noted in the BCRA report, their inclusion means that their credit history is now being recorded, creating a footprint within the formal financial system that could potentially enable them to access financing from other regulated providers under better credit conditions.

11. For merchants, mobile payments also offer substantial advantages. They reduce the cost of accepting card payments by eliminating the need for traditional POS devices and lowering transaction fees, partly thanks to the competition that the entry of this type of players brought to the acquisition segment. Payment facilitators also enable small or informal retailers—who may not qualify for or afford traditional acquiring services—to accept electronic payments. This has expanded the customer base for many merchants and improved cash flow management through faster settlement times. In addition, the growing ecosystem of mobile payment solutions has made it easier for businesses to integrate digital transactions into their operations, boosting visibility, efficiency, and competitiveness in an increasingly digital marketplace. These changes have also encouraged a shift toward more formal and traceable transactions, contributing to greater transparency, enhanced security, and a broader tax base that better reflects the real volume of domestic commerce.

12. Despite the progress that represents the development of payment service providers for the financial sector in Argentina, mobile payment services—particularly digital wallets such as *MercadoPago* and *MODO*—tend to act more as complements than substitutes to traditional banking actors like banks and card networks. While these wallets offer user-friendly interfaces and facilitate peer-to-peer transfers, QR code payments, and online purchases, their operation still often depends on the existing financial infrastructure.

¹ Available online: <https://www.bcra.gob.ar/Pdfs/PublicacionesEstadisticas/Informe-inclusion-%20financiera-octubre-24.pdf>

13. To use many of these wallets, consumers typically need to link a bank-issued debit or credit card, or a bank account, which shows the persistent reliance on traditional banking institutions. Moreover, for larger transactions or credit-based operations, the integration with existing credit card networks remains strategic, as some wallets do not natively offer revolving credit lines or the ability to postpone payments unless they are tied to a credit card. Therefore, while digital wallets may compete with banks and card networks at the user interface level, many of them remain largely embedded within and dependent on the traditional financial system for core functionalities like funding sources, credit provision, and settlement.

14. That said, some wallets are gradually expanding their role by offering prepaid balances, instalment plans (in partnership with financial institutions), or their own payment instruments (like virtual cards or personal loans), thereby extending their functionalities beyond simple payment facilitation and moving partially into the domain of credit provision. However, these features are still limited compared to the full range of services offered by traditional banks.

15. A prominent example is *MercadoPago* –the digital payment services provider developed by *MercadoLibre*, the leading marketplace in Argentina and in many countries of Latin America– which allows users to purchase goods and services in up to 12 instalments using credit lines issued by traditional banks or credit card networks. These transactions are processed through existing credit card infrastructure (e.g., *Visa*, *Mastercard*), meaning the financing is not offered directly by the wallet but relies on the user’s available credit from the financial institution that issues the card. *MercadoPago* also offers “cuotas sin tarjeta” (instalments without a card) through *MercadoCrédito*—a proprietary credit arm that evaluates users based on behaviour within the *MercadoLibre* ecosystem.

16. Although this represents a step toward credit disintermediation, these credit lines are still primarily used to finance short-term consumption and typically involve relatively low amounts, according to data from the BCRA. Moreover, the capital backing and regulatory framework still tie these services closely to the traditional financial system.

17. In this way, fintech ecosystems have disrupted the acquiring and processing segments, where incumbents like traditional acquirers and card networks now face competition from more integrated and agile players. This evolution has not only fostered innovation but also helped reduce costs and entry barriers across the payment infrastructure.

18. In fact, the rapid growth of mobile payments in Argentina has not only transformed the digital payments landscape but also generated competitive spillovers into adjacent markets. In response to the rise of fintech wallets like *MercadoPago* and *Ualá*, traditional banks were compelled to accelerate their digitalization efforts, developing their own digital applications to offer the same range of services as any digital payment provider, seeking to maintain relevance and compete directly in the evolving financial ecosystem.

19. Another case is *MODO*, a wallet developed by a consortium of banks of Argentina, including Banco Galicia, BBVA, Banco Nación and Santander. *MODO* integrates directly with users’ bank accounts and credit cards, allowing them to access the same instalment options they would have via traditional card payments, but through a mobile interface. In this case, *MODO* functions as an interface layer that facilitates bank-based credit consumption.

20. These examples highlight that, while digital wallets in Argentina are introducing features that emulate some functionalities of credit cards—such as instalment plans or

deferred payments—their underlying financial support often still comes from traditional banking institutions or affiliated credit entities. However, this dynamic is evolving, as fintech firms and other non-financial credit providers are increasingly offering consumer credit directly through digital platforms. This suggests that, while instalment plans offered through digital wallets are not yet a full substitute for traditional credit mechanisms, they are becoming more autonomous channels of credit expansion, especially for users who were previously excluded from formal financial services.

21. Overall, the sector in Argentina has seen a high level of entry and consolidation. Several prominent actors have entered the market, ranging from fintech startups to banks and large retail platforms. On the exit side, *TodoPago*, originally launched by Prisma Medios de Pago, has lost significant market share and visibility amid the rise of more user-friendly and widely adopted platforms.

2. The intervention of the CNDC in the payments system

22. This section outlines recent CNDC’s enforcement activities in the financial sector that are to the development of alternative payment services. First, we describe the case that led to the divestiture of Prisma, which began with a market investigation that resulted in pro-competitive recommendations to the BCRA, as well as investigations into alleged anticompetitive practices. These actions ultimately led to the divestiture of the company by a group of banks, and were consequential for competition across various markets.

23. In addition, we will briefly present two ongoing cases: (i) an investigation for alleged abuse of dominant position and a precautionary measure imposed against *Visa*; and (ii) anticompetitive conduct investigations in the context of QR code interoperability developments. These issues were addressed in detail in a contribution to the roundtable *Competition, Fintechs and Open Banking: An Overview of Recent Developments in Latin America and the Caribbean*, prepared for FLACC.²

2.1. Study on the *acquiring* market, Investigation against Prisma for alleged anticompetitive practices, and resulting divestment commitment

24. In 2016, the CNDC launched a market study on the electronic payments system. The study revealed that the vertically integrated structure of the market—particularly in the case of Prisma, a company jointly owned by 14 major banks and Visa International—was creating barriers to entry and distorting competition. At that time, these banks accounted for over 80% of credit card issuance and 72% of debit card issuance, and Prisma held exclusive control over the acquiring and processing of *Visa* transactions. Moreover, Prisma also had a strong presence in downstream markets, including POS terminals and payment interfaces.

25. The CNDC identified risks that this structure could prevent new firms from entering both the card issuance and payment facilitation markets. For example, potential entrants could be denied access to essential processing services controlled by Prisma. This vertical integration linked to the dominant banks restricted competition in a sector increasingly relevant to fintechs and other non-bank players.

26. As a result, the CNDC issued pro-competitive recommendations to the Central Bank, opened an investigation against Prisma for an alleged anticompetitive conduct, and oversaw a structural divestiture process. This culminated in the full divestiture of Prisma

² [https://one.oecd.org/document/DAF/COMP/LACCF\(2024\)6/en/pdf](https://one.oecd.org/document/DAF/COMP/LACCF(2024)6/en/pdf)

by its original shareholders—*Visa* and the banks—between 2019 and 2024. The process included a set of behavioural commitments designed to ensure open access to processing services and reduce entry barriers for fintechs operating in digital interfaces and payment facilitation.

27. Throughout the investigation, the CNDC held hearings, collected market information from payment system participants, and engaged in technical discussions with the BCRA. The Central Bank welcomed the commitments, noting that separating issuers from acquirers/processors would reduce anticompetitive incentives and promote a more open and competitive acquiring market. It also supported the goal of enabling new providers to offer real-time payment services.

28. In summary, the CNDC's actions significantly increased competition and fintech participation in the payment systems market, especially in the retail segment. The intervention dismantled structural barriers that had previously linked digital payments to the banking sector, allowing more diverse players to operate at different stages of the value chain.

2.2. Investigation for alleged abuse of dominant position and interim measure against Visa

29. In October 2021, the Argentine Fintech Chamber filed a complaint before the CNDC regarding two programs launched by *Mastercard* and *Visa*—PIFO and EMLP, respectively—alleging that these initiatives raised competition concerns. Specifically, the programs involved increased fees for processing cross-border transactions and potentially anticompetitive use of commercially sensitive information from potential rivals.

30. During the investigation, the CNDC found that *Mastercard* never implemented the PIFO program nor altered its commercial practices. However, *Visa* was found to sign contracts with acquirers and merchants that potentially included territorial exclusivity clauses, which could operate as vertical restraints.

31. In November 2023, based on CNDC's recommendation, the then Secretariat of Commerce issued an interim measure ordering *Visa*-linked firms to suspend any contractual clauses or commercial practices that restrict domestic payment facilitators from processing transactions with foreign merchants for purchases made by Argentine consumers. The investigation into *Visa*'s alleged conduct is ongoing.

32. The CNDC justified the interim measure on the grounds that *Visa* holds a dominant position in card network markets and can influence the viability of sub-acquirers facilitating cross-border payments. The case centres around *Visa*'s practice of enforcing territorial clauses via contracts with local acquirers (not directly with payment facilitators). It is worth noting that judicial review was carried out by the Federal Civil and Commercial Court of Buenos Aires, which upheld the interim measure issued by the CNDC. One unique aspect of this case was that, prior to the CNDC's interim measure, a first-instance civil and commercial court had already issued a series of interim measures in favour of some of the complainant companies, which generally supported the same arguments that the CNDC had put forward.

2.3. Investigations in the context of QR code interoperability developments

33. Currently, debates surrounding open banking have focused on the interoperability of QR codes, which enables payments made via QR codes to be processed by any financial institution or payment service provider, regardless of who generated the code. Without

interoperability, users must scan a specific QR code depending on the platform they wish to use, meaning a different code would be needed for each digital wallet.

34. For merchants, the main advantage lies in being able to accept payments from various virtual wallets using a single QR code, thereby simplifying their operations and enhancing competition among acquirers or payment solution providers. For consumers, QR code interoperability allows payments to be made using any digital wallet and all types of cards. In this context, the BCRA issued a regulation, effective as of July 2024, aimed at ending the exclusivity of QR codes and promoting their interoperability across all virtual wallets and all types of cards.

35. Against this backdrop of regulatory change and increasing competition, early in the 2024, *MODO* filed a complaint against *MercadoPago*, alleging exclusionary abuse of dominant position. The complaint focused on *MercadoPago*'s refusal to enable QR code interoperability and to grant access to competing wallets on the *MercadoLibre* platform, as well as its alleged practice of tying merchants' sales to its proprietary payment services. Later that year, *MercadoLibre* responded with its own accusations, claiming that banks had collectively aligned around *MODO* to coordinate their commercial strategies, thereby reducing competition over merchant affiliation, discount levels, and consumer promotions. Both cases are currently under investigation, and public information remains limited due to confidentiality rules.

3. Final Remarks

36. The emergence of fintechs as innovative agents has introduced technological advancements in payment systems, challenging dominant positions in various markets and contributing to the broader diffusion of financial services. In Argentina, the impact of digitalization on the financial system has been particularly significant, creating competitive pressure that can lower costs and improve service quality for consumers. These innovations are often shaped by global trends, with local firms adapting international developments to the domestic market. In this dynamic context, regulatory responses have been crucial, and the evolving institutional framework has made meaningful progress in enabling digital payment methods. This experience highlights the importance of strengthening competition policy particularly in fast-moving sectors such as digital payments.