# UK introduces Digital Markets, Competition and Consumers Act to regulate tech giants



The Digital Markets, Competition and Consumers Act (DMCCA) has been designed to regulate large technology firms in the U.K. that hold significant market power. This legislation empowers the Competition and Markets Authority (CMA) with enhanced abilities to set bespoke requirements for these firms, which have been classified as holding “Strategic Market Status” (SMS). These requirements are tailored to address specific issues related to anti-competitive practices that may arise within the digital marketplace.

The act emerged in part due to the findings of the Digital Competition Expert panel, led by Jason Furman, who is a professor of economic policy at Harvard and a former chief economist under U.S. President Barack Obama. It was inspired by a comprehensive report delivered in 2019 that recommended measures to enhance competition within the U.K.'s digital markets. Following several delays since its approval in 2020, the DMCCA received Royal assent in May 2024 and is set to take effect in January 2025.

The primary objective of the DMCCA is to foster a competitive digital market landscape. By doing so, it aims to stimulate investment, innovation, and growth among U.K. tech companies. Sarah Cardell, CEO of the CMA, explained in a January 2024 interview that the new regime is purposefully designed to keep pace with rapid developments in digital markets, to complement existing competition and consumer protection mechanisms. “The DMCC Bill will establish a very targeted approach to address the substantial and entrenched market power of a small number of firms,” Cardell noted, emphasising the potential for this framework to empower emerging companies with disruptive innovations.

The DMCCA's focus will be on a limited number of firms, which will be identified by the CMA based on their substantial market power linked to digital activities in the U.K. To qualify as having SMS, these firms must also have a strategic significance and exceed a global turnover of £25 billion or a U.K. turnover of £1 billion. SMS designations will be reviewed every five years, with the CMA anticipating that three to four firms may be designated in the first year of the implementation of the new regime.

A significant feature of the DMCCA includes the establishment of a dedicated unit within the CMA known as the Digital Markets Unit (DMU). This body will be responsible for drafting a set of distinct conduct requirements for each SMS entity, which they must adhere to proactively. This approach contrasts with traditional competition laws that operate reactively—responding to anti-competitive behaviours post-investigation.

The DMU is empowered to safeguard competition by addressing the negative impact that these dominant firms may impose on market dynamics. Measures may include preventing product bundling or self-preferencing, guaranteeing competitor access to essential data or functionality, and requiring users to select their preferred default applications rather than the firm's own. Furthermore, significant penalties have been defined for non-compliance, with fines potentially reaching £30,000 or 1% of a business's turnover.

Despite the seemingly progressive nature of the DMCCA, it has met with some scepticism. Critics express concern that tech companies might consider excluding the U.K. from future product rollouts to circumvent the regulatory framework. This has been a visible concern in Europe, where Apple has decided not to launch its suite of generative AI capabilities within the region due to “regulatory uncertainties" reflected in the European Digital Markets Act.

Moreover, some critics argue that the CMA might impose arbitrary regulations that could burden companies, complicating compliance efforts. Nevertheless, Cardell is adamant that the Act rests on four fundamental themes: a targeted and evidence-based approach, complementing existing regulatory tools, engaging stakeholders including major tech firms, and promoting fair competition for optimal user experience. The CMA has also been investigating the competitive dynamics of mobile browsers, as demonstrated by November 2024 findings regarding the market impacts of Apple and Google's dominance.

In conclusion, the introduction of the DMCCA and its January 2025 implementation will signify a pivotal moment in regulating major digital firms in the U.K. as the government works to create an environment that nourishes competition and innovation in the rapidly evolving technological landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

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