Dec. 6, 2021

Mr. Rohit Chopra
Director
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552
Via email to BigTechPaymentsInquiry@cfpb.gov

Re: Docket No. CFPB-2021-0017
Request for Comment Regarding the CFPB's Inquiry Into Big Tech Payment Platforms

Dear Director Chopra:

Thank you for the opportunity to comment on the agency's inquiry into Big Tech's payment platforms. I am the co-director of the Institute for Local Self-Reliance (ILSR), a public interest research and advocacy organization working to create thriving communities. For more than a decade, ILSR has been a leader in spotlighting the dangers of market concentration, particularly the harmful effects on small, independent businesses and local economies.

ILSR commends the Bureau for undertaking this inquiry, which we believe is vitally important to ensuring a fair, competitive payments system. We are deeply concerned about Big Tech's push into financial services. Apple, Amazon, Facebook, and Google already control critical infrastructure that other businesses depend on, including for search, digital advertising, and e-commerce. They already exploit their gatekeeper power to entrench their dominance, harm rivals, and impose onerous terms and fees on small businesses.[1] They already capture a vast stream of data, from both consumers and rival businesses, and leverage it to advance their own interests at the expense of competition and users.

As these corporations move into financial services, they are positioned to gain still more structural power across the economy. ILSR hopes the Bureau's inquiry will investigate several key concerns:

- How might the tech firms leverage their existing dominance in digital markets to gain the upper hand in payments and eliminate nascent competitors and avenues of industry development that would lead to valuable innovations and more competition? Amazon, for example, has built a massive logistics operation, which will likely surpass the U.S. Postal Service and UPS in package volume by early 2022,[2] by compelling marketplace sellers to use its fulfillment service.[3] It could similarly compel them to use its payments platform.

[1] https://judiciary.house.gov/uploadedfiles/competition_in_digital_markets.pdf?utm_campaign=4493-519
[2] https://www.cnbc.com/2021/11/29/amazon-on-track-to-be-largest-us-delivery-service-by-2022-exec-says.html
[3] https://ilsr.org/amazons_tollbooth/

- How might the tech firms use control over payments to impose exorbitant fees on smaller businesses, effectively hijacking the revenue of these businesses through control over their transactions? Payments systems are already problematic chokeholds. In the U.S., Visa and Mastercard charge merchants credit card interchange rates that are six times higher than in the E.U., where these rates are regulated.[4] The arrival of tech firms in this space does not appear to be lowering these rents, but rather increasing them. This is similar to what we have seen in other parts of the financial services market; fintech lenders, for example, have raised borrowing costs for small businesses.

- How might the tech giants use their payments platforms to gather data and market intelligence that would give them a significant built-in advantage over rivals? Amazon, for example, is licensing its Go technology, and plans to license its forthcoming biometric payments terminals, to brick-and-mortar retailers. Should Amazon succeed it making its technology the common or default platform in physical retail, the tech giant will gain a huge stream of highly valuable data about consumers' offline behavior and the operations of rival retailers. This data will give it a major leg-up over competitors as it moves ahead with its plans to open thousands of grocery stores, drugstores, and other retail outlets.[5]

- How might the tech firms use their position in payments to move more aggressively into other areas of finance, such as small business lending? Several of these tech companies already use their payments platforms to solicit borrowing by businesses. Although these loans are fast and convenient, they come with much higher interest rates and costs than bank loans typically do. While more than 80 percent of small businesses borrowers that work with a community bank or credit union are satisfied with their experience, only 43 percent of those who turn to an online lender are, according to a Federal Reserve study.[6] Furthermore, taking a loan from a tech giant, particularly Amazon, makes a small business user even more vulnerable to having to accept unfair terms or conditions to gain access to customers and sales — a fact that Amazon could deliberately exploit.

By examining these questions, we hope that the Bureau's inquiry will lead regulators and policymakers to develop rules that avert these looming concerns and establish a fair, competitive, and innovative payments system.

Sincerely,

Stacy Mitchell
Co-Director
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[4] https://fortune.com/2019/04/03/cashless-stores-retail-amazon-go/
[5] https://www.winsightgrocerybusiness.com/retailers/how-fast-will-amazon-grow
[6] https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report